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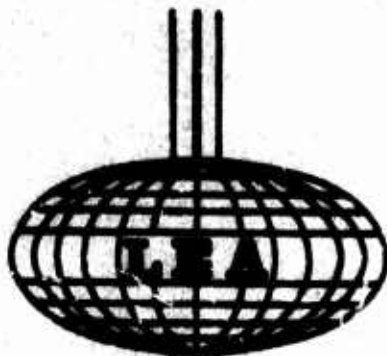
PHASEOUT OF THE ARMY RETAIL STOCK FUND (CONUS)

ARMY LOGISTICS EVALUATION AGENCY

APRIL 1976

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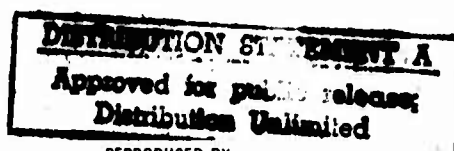
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PHASEOUT OF THE ARMY RETAIL STOCK FUND (CONUS)



Department of the Army
Office of the Deputy Chief of Staff for Logistics
U.S. Army Logistics Evaluation Agency
New Cumberland, Pennsylvania 17070



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ABSTRACT

PHASE-OUT OF THE ARMY RETAIL STOCK FUND (CONUS)

USALEA PROJECT Z60993

In April 1975, ODCSLOG (DALO-SM) tasked the US Army Logistics Evaluation Agency to develop a concept and test plan for the Phase-Out of the Army Retail Stock Fund in CONUS. Several alternative concepts were developed and presented to all the major commands (TRADOC, FORSCOM, DARCOM and DSA). The major commands reached mutual agreement on a concept which was presented to and accepted by the Army Logistics Policy Council on 23 October 1975. During the period 11-20 November 1975, the concept was presented to and discussed in detail with two CONUS installations, one TRADOC (Ft. Sill) and one FORSCOM (Ft. Riley). As a result of the analysis performed on the data received from Ft. Sill and Ft. Riley, ODCSLOG (DALO-SM) decided to terminate the project on 13 February 1976.

Put on file

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ACKNOWLEDGEMENT

Sincere appreciation is expressed to the many personnel of the Department of Army Staff, DSA, COA, DARCOM, FORSCOM, and TRADOC and their two installations, Ft. Riley and Ft. Sill, who provided information about the current Army Retail Stock Fund operations.

The US Army Logistics Evaluation Agency two-man study team was composed of Mr. Henry F. Pastuck, Chief, and Mr. John R. Walters, Operations Research Analyst. Although many personnel provided assistance to this study, one in particular, who has made outstanding contributions throughout the course of this study, is Mr. W. Douglas Gibson, TRADOC. We are very thankful for his untiring support.

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Abstract.....	i
Acknowledgement.....	ii
EXECUTIVE SUMMARY	
General.....	vii
Purpose.....	vii
Objective.....	vii
Scope and Methodology.....	vii
Resource Data.....	vii
Other Costs and Functional Impacts.....	x
MAIN REPORT	
Purpose.....	1
Background.....	1
Objective.....	2
Scope.....	2
Methodology.....	2
Assumptions.....	3
Logistics System Interface.....	3
Systems Description.....	4
Concept to Phase-Out the Army Retail Stock Fund.....	15
Current Army Retail Stock Fund vs. Phase-Out in Financial Management.....	22
Analysis of Current vs. Phase-Out Supply Management Operations.....	27
Installation Supply Division - DIO Phase-Out Concept.....	30

<u>Title</u>	<u>Page</u>
Analysis of Current vs. Phase-Out Financial Management Operations.....	33
The Current Army Retail Stock Fund vs. the Phase-Out of the Army Retail Stock Fund for the Accounting Branch...	34
Ft. Sill & Ft. Riley Man-Years for the Current Army Retail Stock Fund vs. the Phase-Out of the Army Retail Stock Fund for all their Functions.....	34

APPENDIXES

A. Materiel Management in the Vertical Environment-Oct 74.	A-1
B. Materiel Management in the Vertical Environment-Jan 75.	B-1
C. Tasking Directives - Apr 75 and Updated Jan 76.....	C-1
D. Alternatives Considered in Developing General Concept to Eliminate the Retail Stock Fund at CONUS TRADOC/ FORSCOM Installations (April - May 1975).....	D-1
E. Personnel Contacted.....	E-1
F. Mini-ALPC Work Group - August 1975.....	F-1

FIGURES

1. TRADOC Division ASF Home Office.....	5
2. FORSCOM Division ASF Home Office.....	5
3. Command Stock Fund Management Responsibilities.....	6
4. Command Stock Fund Program/Budget Responsibilities.....	7
5. Program/Cost Factors.....	8
6. Responsibilities of Other Staff Offices/Agencies.....	9
7. Command Stock Fund Materiel Categories - Purchases by TRADOC.....	10
8. Command Stock Fund Distribution Points/Accountability..	11
9. Command Stock Fund Sources of Reimbursement.....	12

<u>Figure</u>	<u>Page</u>
10. General Requirements by Level of Command.....	15
11. Functional Areas and Functions.....	16
12. Expanded Concept.....	17
13. Flow of DSS CONUS Requisitions.....	18
14. Flow of DSS CONUS Shipments.....	19
15. Requisitions/Distribution Flow.....	20
16. Supply Program and Budget Statements (Phase-Out).....	23
17. Ft. Sill/Ft. Riley Financial Management Functional Analysis.....	26
18. Ft. Sill/Ft. Riley Financial Management Man-Years.....	27
19. Ft. Sill/Ft. Riley ISD Man-Years.....	32
20. Ft. Sill/Ft. Riley Accounting Branch Man-Years.....	34
21. Ft. Sill/Ft. Riley Man-Years for the Current Army Retail Stock Fund vs. the Phase-Out of the Army Retail Stock Fund for all their Functions.....	35

EXECUTIVE SUMMARY

1. **General.** The Executive Summary explains the purpose and objective of the Phase-Out of the Army Retail Stock Fund; it describes the scope and methodology used in conducting the study; it provides personnel resource data for both Ft. Sill and Ft. Riley for the current and the phase-out in the operations of their functions in the Installation Supply Division (ISD), the Accounting Branch of the Finance and Accounting Division, Self-Service Supply Center (SSSC), Clothing Sales Store (CSS), Medical-Dental Activity (MEDDAC), and the Director of Facilities and Engineering (DFAE) and provides a summary of other cost areas which impact on resources.
2. **Purpose.** To develop the concept and test plan for Phase-Out of the Army Retail Stock Fund at US Army Forces Command (FORSCOM) and US Army Training and Doctrine Command (TRADOC) installations.
3. **Objective.** To establish a one buy/one sell relationship between OMA and the wholesale stock fund and to improve budgeting and funding management by assessing the operating costs associated with the Retail Stock Fund operations.
4. **Scope and Methodology.**
 - a. **Scope.** This study addresses the CONUS installation operation of the current Retail Stock Fund and supply management system and a concept utilizing OMA financing in lieu of the Retail Stock Fund. Within CONUS, the study addresses the financial management and supply management personnel resources associated with current operations of one TRADOC and one FORSCOM installation.
 - b. **Methodology.** A two-man study group was formed within USALEA to develop a concept and test plan for the Phase-Out of the Army Retail Stock Fund. After researching and reviewing background data, a series of meetings was held with representatives from TRADOC, FORSCOM, DARCOM, DSA, COA and the DCSLOG staff to obtain information for development of a concept to phase-out the Army Retail Stock Fund. Several alternative concepts for the phase-out were developed, discussed and reviewed by all major commands. The major commands reached a mutual agreement on a concept which was presented to and accepted by the Army Logistics Policy Council on 23 October 1975. (See appendix F.)
5. **Resource Data.**
 - a. **General.** The resource data for the current Army Retail Stock Fund operations and the Phase-Out of the Army Retail Stock Fund operations were collected from two CONUS installations, one TRADOC (Ft. Sill) and one FORSCOM (Ft. Riley) during the period of November 1975 and January 1976. The USALEA team, together with TRADOC representatives visited Ft. Sill, Oklahoma and with a FORSCOM

representative and a DCSLOG S&M representative, visited Ft. Riley, Kansas to discuss the concept, review their current operations and to assess the impact of the phase-out concept on all functional areas in the DIO, Installation Supply Division, Comptroller, Finance and Accounting Office and the Supply Support Activities.

b. Current Army Retail Stock Fund vs. Phase-Out of the Army Retail Stock Fund in Financial Management. In the development of the concept to Phase-Out the Retail Stock Fund at installation level, agreement could not be reached with the Program Director (DCSPER) to either buy out the Retail Stock Fund or decapitalize the Retail Stock Fund and capitalize the MPA fund for clothing and subsistence. Therefore, the concept has dual funding systems; a Retail Stock Fund to support the Clothing Sales Stores (CSS), the Central Initial Issue Point (CIIP) and Troop Issue Subsistence Activity (TISA); and an OMA financing system to support the Supply Support Activities (SSAs). Under the OMA financing system, each Major Activity Director would be responsible for managing his OMA allotments; Health Services Command (USAHSC), DFAE, USASA, USACC, and the remaining SSAs (SSSC, CIF, Class IX TMS, and the residual general support of the ISD) under the DIO. The Activity Directors, their SSAs and the Comptroller would be responsible for the development of their respective budgets and supply programs to support their customers. In essence, they would have separate funded inventories even though the SSAs would be funded with OMA funds replacing the Retail Stock Funds. The SSAs must prepare separate budgeting and supply programming for each Activity Director to include both the OMA and Retail Stock Fund. The ISD, as an SSA, submits requisitions to wholesale suppliers for supply support to non-DSS activities and for activities submitting requests for classes of supply not included under DSS. SSAs submit requisitions to the ISD for edit, funding and supply action. The ISD receives, edits, funds, records and forwards requisitions for other SSAs located or satellited on the installation. Requisitions initiated by the SSA also identify the fiscal year in which OMA funds are obligated. SSAs also obligate OMA for nonstandard, non-stocked items for local purchase that are processed through the ISD. Line item and financial accountability will be maintained by each SSA for their ASL items. ISD/SSA requisitioning objective will reflect only demands of those units depending on the ISD/SSA for supply support. SSAs will perform studies and reviews for their OMA funded items. To phase-out the Army Retail Stock Fund, requirements for Ft. Sill and Ft. Riley were estimated to increase by 20 1/2 personnel to perform the financial management operations.

c. Current Army Retail Stock Fund vs. Phase-Out of Army Retail Stock Fund for the Installation Supply Division (ISD). The Installation Supply Division plans, directs and supervises the administrative and technical operations of all assigned functions. It supervises line item and/or financial accountability, receipt, issue and storage of all supply items, consisting of all materiel categories except Medical, Subsistence and Engineer R & U, under a consolidated account. The ISD provides for ammunition surveillance and inspection,

operation of the Self Service Supply Center, the Clothing Sales Store, Reserve Component support, Central Issue Facility and Direct Exchange Facility. Under the phase-out concept of operations, the Clothing Sales Store, Self Service Supply Center, Central Issue Facility and the Direct Exchange Facility become separate SGAs. Requirements to phase-out the Army Retail Stock Fund for Ft. Sill and Ft. Riley were estimated to increase by 15 personnel to perform the ISD supply operations.

d. Ft. Sill and Ft. Riley Man-Years for the Current Army Retail Stock Fund vs. the Phase-Out of the Army Retail Stock Fund for all their Functions. Total man-years for Ft. Sill and Ft. Riley for annual operation of the current Army Retail Stock Fund and the Phase-Out of the Army Retail Stock Fund are displayed in the chart below. The man-years represent composite data for both Ft. Sill and Ft. Riley in the functional areas of the DIO, Installation Supply Division (ISD), the Accounting Branch of the Finance and Accounting Division, Self Service Supply Center (SSSC), Clothing Sales Store (CSS), Medical-Dental Activity (MEDDAC), and the Director of Facilities and Engineering (DFAE). Data gathered from only two CONUS installations, Ft. Sill and Ft. Riley, indicates a requirement exists for 43 1/2 additional personnel or a 9.9% increase in personnel to phase-out the Army Retail Stock Fund.

ANALYSIS OF MAN-YEARS

INSTALLATION	FUNCTION	MAN-YEARS		
		CURRENT	PHASE-OUT	DIFFERENCE
Fort Sill	ISD - Supply Mgt	123.0	130.0	+7.0
	ISD - Finance Mgt	6.5	14.0	+7.5
	Accounting Branch	29.0	34.0	+5.0
	SSSC	7.5	7.5	0
	CSS	8.0	8.0	0
	MEDDAC - Mgt	5.0	6.0	+1.0
	MEDDAC - Supply	1.0	12.0	+11.0
	DFAE - Mgt	8.0	9.0	+1.0
	DFAE - Supply	10.0	11.0	+1.0
	TOTAL	208.0	231.5	+23.5
Fort Riley	ISD - Supply Mgt	147.0	155.0	+8.0
	ISD - Finance Mgt	8.0	11.0	+3.0
	Accounting Branch	29.0	34.0	+5.0
	SSSC	7.0	7.0	0
	CSS	6.0	6.0	0
	MEDDAC - Mgt	5.0	6.0	+1.0
	MEDDAC - Supply	12.0	13.0	+1.0
	DFAE - Mgt	7.0	8.0	+1.0
	DFAE - Supply	10.0	11.0	+1.0
	TOTAL	231.0	251.0	+20.0
COMBINED TOTAL		439.0	482.5	+43.5

6. Other Costs and Functional Impacts. In addition to the costs involved for 43 1/2 more personnel at two CONUS installations, Ft. Sill and Ft. Riley, to phase-out the Army Retail Stock Fund, there are other cost areas which will impact substantially on Army resources:

- Regulatory changes of Department of the Army, the major commands and the installations associated with finance and supply.

- Major software changes in both the Standard Finance System (STANFINS) and the Base Operations Information System (BASOPS/SAIS).

- Training of personnel in supply and financial management in the ISD and SSAs.

- Costs are involved in the USAHSC to budget, manage and operate a funding system in lieu of support from the DARCOM AMCID and the TRADOC/FORSCOM Retail Stock Fund branches.

MAIN REPORT

1. Purpose. Develop the concept and test plan for Phase-Out of the Army Retail Stock Fund at US Army Forces Command (FORSCOM) and US Army Training and Doctrine Command (TRADOC) installations.

2. Background.

a. The Army has accepted the principle of vertical supply management to the extent that the wholesale inventory manager has asset knowledge and control of selected items of materiel from acquisition to user issue. Functional guidance to attain vertical supply management has been developed for use by Army Materiel Development and Readiness Command and other system developers for incorporation into Army regulations and systems.

b. The Logistics System Policy Committee (LSPC) met 27 October 1973 to consider that DOD components employ vertical stock funding. The Army representative objected to the proposal and emphasized that all aspects of the concept had not been addressed in detail nor had any comparative analysis been performed to determine the impact if adopted. As a result, DA DCSLOG decided that a comparative analysis needed to be conducted to determine costs of the current command channel stock fund versus a vertical stock fund concept. On 16 November 1973, USALEA was tasked to conduct the analysis.

c. The USALEA report "Horizontal/Vertical Stock Fund Cost Comparison," published August 1974, indicated that 544 additional man-years at an annual personnel cost of 8.9 million dollars would be required to accommodate the hypothesized vertical stock fund at CONUS TRADOC and FORSCOM installations.

d. In the Deputy Secretary of Defense memorandum for Assistant Secretaries of the Military Departments and Director, Defense Supply Agency, dated 22 October 1974, subject: Materiel Management in the Vertical Environment, it states "the LSPC has adopted the following objective: Expense type items assigned to the Military Services and the Defense Supply Agency (DSA) will be financed in accordance with the vertical stock funding concepts established for each Military Service and DSA to the extent that cost benefits will accrue and logistic responsiveness to the operating forces is not lessened. Supporting systems will be made standard to degree practicable, and will be tailored to the form of vertical supply management employed." (See appendix A.)

e. The OSD memorandum for Assistant Secretaries of the Military Departments (FM) and (I&L) and Director, Defense Supply Agency, dated 17 January 1975, subject: Materiel Management in the Vertical Environment outlined two key guideline statements, "Application of the vertical stock funding technique will eliminate the buy-sell relationship between the wholesale and intermediate levels of supply

for expense items," and on page 7, "A horizontal stock fund will remain to accommodate residual inventories, including local purchase and GSA source expense items." (See appendix B.)

f. As a result of the memorandums cited in d and e above, DA DCSLOG tasked USALEA by tasking directive dated 22 April 1975, and amended 16 January 1976, to develop a coordinated concept with the appropriate MACOMs for the elimination of the Retail Stock Fund and attempt to establish the one buy/one sell relationship objective expressed by OSD. (See appendix C.)

3. Objective. Attempt to establish a one buy/one sell relationship between OMA and the wholesale stock fund; and to improve budgeting and funding management by assessing the operating costs associated with the retail stock fund operations.

4. Scope.

a. This study addresses the CONUS installation operation of the current Retail Stock Fund and supply management system and a developed concept utilizing OMA financing in lieu of the Retail Stock Fund.

b. Within CONUS, the study addresses the financial management and supply management personnel resources associated with current operations of one TRADOC and one FORSCOM installation.

c. The study does not include:

(1) Redesign and development costs to current systems, such as STANFINS and SAILS.

(2) Cost data of USAHSC which budgets, manages and operates a funding system in lieu of support from the DARCOM AMCID and the TRADOC/FORSCOM Retail Stock Fund Branches.

(3) Regulatory changes of DA, MACOMs and the installations associated with finance and supply.

(4) One time cost data required for retraining and re-education.

5. Methodology.

a. A two-man study team was formed within USALEA to develop a general concept to replace the Retail Stock Fund with OMA financing. Assistance and guidance was provided by the DA DCSLOG staff.

b. The first task of the two-man study team was to meet with representatives from HQ TRADOC, HQ FORSCOM and the DA DCSLOG Stock Fund Office to discuss alternatives to arrive at a coordinated concept. Several alternative concepts were presented and discussed by the group (see appendix D). The method developed was coordinated with DARCOM, DSA, COA, TRADOC and FORSCOM.

c. The next major effort was to develop details for the concept, proceeding from a general concept to a detailed concept, for adaptation at installation level. Functions of the DIO, FAO and associated software programs of STANFINS and SAILS and the Comptroller operations were discussed in detail with installation management and operating personnel.

d. On-site visits were made to Ft Sill, OK (TRADOC) and Ft Riley, KS (FORSCOM) to present the detailed concept and to obtain their assessment on personnel resources affected by the Army Retail Stock Fund being eliminated and replaced with OMA financing.

e. Activities visited and personnel contacted are listed in appendix E.

6. Assumptions.

a. Supply and financial management procedures are uniform at TRADOC and FORSCOM installations.

b. DSS will be implemented at all CONUS TRADOC and FORSCOM installations.

c. Adequate resources are available for system redesign, if required.

d. A one-time OMA requirement will be available to fund the undelivered orders.

7. Logistics System Interface.

a. General. Two systems have been adopted by the Army to provide improved support and reporting. The Direct Support System (DSS) has been implemented and the Selected Item Management System Expanded (SIMS-X) will replace the current Asset Balance File reporting system.

b. Direct Support System (DSS).

(1) DSS procedures will apply for Classes II, III Packaged, IV, V Missile Components, VII and IX.

(2) CONUS installation stockage levels will be reduced as dictated by the DSS concept.

(3) Billings from CONUS wholesale suppliers will not change.

(4) The pipeline will be financed with either OMA or Retail Stock Funds from the Supply Support Activities, as applicable.

(5) The ISD will function as a DSS DSU for units not supported by a DSU.

(6) Intermediate level inventories maintained by the Supply Support Activities will be financed with either OMA or Retail Stock Funds.

c. Selected Item Management System-Expanded (SIMS-X).

(1) Under Phase I, the wholesale supplier will receive periodic reporting for secondary items located at installation level accounts.

(2) Under Phase II, the wholesale level supplier will extend his reporting of secondary items that are located at Direct and General Support Units.

8. Systems Description.

a. Current Installation Stock Fund and Supply Management System.

(1) General. The command channel Retail Stock Fund is a working capital fund that is used worldwide to finance all inventory requirements for expense-type items including nonstandard commercial type items. The Stock Fund program is the most important supply asset available to an installation commander. It provides a means of insuring that resources are obligated in support of priority missions. The Stock Fund operates on a revolving principle. Obligation authority is used to finance orders placed on wholesale and local sources. Cash is used to pay bills rendered by these sources. The cash is replenished by reimbursement from consuming appropriations based on actual delivery of materiel to using units, activities and individuals and by cash sale of materiel in commissaries and clothing sales stores.

(2) Stock Fund Divisions. The TRADOC and FORSCOM Stock Fund Divisions are organized along command lines with home offices located at HQ TRADOC and HQ FORSCOM. A branch office is located at each major class I installation and sub-branches at smaller installations. Branch offices have both a supply mission and a finance and accounting capability; while sub-branches which have only a supply mission, are satellited on larger installations, and input their transactions to the larger installation for Stock Fund accounting and reporting purposes. Figures 1 & 2 depict the Stock Fund Division organizations of TRADOC and FORSCOM.

19 Branch Offices:	Ft. Belvoir Ft. Dix Ft. Jackson Ft. Monroe USMA*	Ft. Benning Ft. Eustis Ft. Leavenworth Ft. Rucker	Ft. Bliss Ft. Gordon Ft. Lee Ft. Sill MDW*	Carlisle Barracks Ft. Ben Harrison Ft. McClellan Ft. Leonard Wood Ft. Knox
6 Sub-Branch Offices:	<u>Ft. Dix</u> Ft. Hamilton <u>Ft. Lee</u>		<u>MDW</u>	
	Ft. A. P. Hill (FORSCOM) Ft. Pickett (FORSCOM)		Cameron Station Davison AAF Ft. Myer	

* Not Commanded by HQ TRADOC

Figure No. 1.
TRADOC Division ASF Home Office

22 Branch Offices:	Ft. Stewart Ft. McPherson Ft. Carson Hawaii Ft. Campbell Canal Zone, Panama	Ft. Lewis Ft. McCoy Presidio of S.F. Ft. Sheridan AD SPT GP, Homestead, Fla. Ft. Sam Houston	Ft. Devens Ft. Drum Alaska Ft. Riley Ft. Polk Indiantown Gap	Ft. Hood Ft. Meade Ft. Bragg Ft. Ord
7 Sub-Branch Offices:	<u>Ft. McPherson</u> Ft. Buchanan, P.R. <u>Indiantown Gap</u> Oakdale USA SPT CTR, Phila. <u>Ft. Ord</u> Ft. MacArthur	<u>Ft. Sheridan</u> Selfridge AFB <u>Presidio of San Francisco</u> Oakland Army Personnel Center and Army Base	<u>3d USA AD SPT GP, Homestead</u> Key West	

Figure No. 2.
FORSCOM Division ASF Home Office

(3) DCSLOG/Comptroller Responsibilities. Responsibilities for managing the Retail Stock Fund are shared jointly by the DCSLOG and Comptroller at all levels of command. The DCSLOG functions as the Program Director and the Comptroller as the Financial Advisor. See figure 3.

<u>DCSLOG</u> <u>Program Director</u>	<u>COMPTROLLER</u> <u>Financial Advisor</u>
Program Guidance	Financial Guidance
Program/Budget Development	Stock Fund Accounting
Program Execution	Cash Control
Review and Analysis	OA Distribution
Management Direction	Financial Reports
Financial Inventory Management	Appropriated Fund Reconciliation
Financial Inventory Reporting	

Figure No. 3.
Command Stock Fund Management Responsibilities

As Program Director, the DCSLOG must take the lead in managing the program and must assure proper coordination of actions with the Comptroller. Distribution of obligation authority is accomplished by the Comptroller in accordance with programs established by the DCSLOG.

(4) Command Level Responsibilities. Development of the Stock Fund program and budget occurs at the Branch Office or Class I Installation level. It is then subjected to review and approval at each successive level of command until an approved program and budget is received from OSD. The major program and budget responsibilities for each level of command are shown on figure 4.

Branch Office:

- Develop Installation Program/Budget
- Defend Program/Budget at MACOM Review
- Distribute Approved Program to Installation Supply Activities/Requisitioners

Home Office:

- Review and Approve Installation Program/Budgets
- Develop MACOM Program/Budget
- Defend Program at DA Review
- Participate in Defense of Program/Budget at OSD Review
- Provide Markup Program/Budget to Installations

DA:

- Review and Approve MACOM Program/Budget
- Defend Program/Budget at OSD Review

OSD:

- Review and Approve MACOM Programs/Budgets Submitted by DA

Figure No. 4.

Command Stock Fund Program/Budget Responsibilities

After approval by OSD, programs are marked up to reflect directed adjustments and follow the same channels back to the installation. As stated previously, the program mark-up is developed by DCSLOG, however, distribution of obligation authority is accomplished through comptroller channels.

(5) Program/Cost Factors. The development of the installation Stock Fund program and budget is based on actual and projected cost associated with the major missions and workloads the installations are responsible to support. In addition, all one-time or variable cost factors are included in each budget submission. Figure 5 lists examples of program/cost factors and one-time/variable costs.

- AVERAGE MILITARY STRENGTH
- RECEPTION STATION LOADS
- EQUIPMENT DENSITIES
- AIRCRAFT FLYING HOURS
- HEALTH CARE COMPOSITE UNITS
- WEAPON SYSTEMS
- DAILY COMMISSARY SALES

ONE-TIME/VARIABLE COST

- | | |
|--------------------------------|-------------------------|
| ● MANEUVERS | ● EQUIPMENT REPLACEMENT |
| ● FIELD EXERCISES | ● MTDA/MTOE CHANGES |
| ● UNIT ACTIVATION/DEACTIVATION | ● PRICE INCREASES |

Figure No. 5.
Program/Cost Factors

(6) Staff/Agency Responsibilities. Development of adequate Stock Fund programs and budgets are dependent on accurate detailed input from staff elements at the installation to assure that all programs, workloads, and special requirements have been included in budget preparation. Figure 6 identifies staff offices/agencies and their responsibilities.

<u>TRADOC</u>		<u>INSTALLATION</u>
DCSPER DCSOP/I	DPCA	Average Military Strength
	DPT	Aircraft Flying Hours
	DPT	Unit Activations/Deactivations/Reorganizations
	DPT	Maneuvers
	DPT	Field Exercises
	DPT	Contingency Plans
DCST	DPT	Reception Station Load
	DPT	Service Schools
	DPT	Health Care Composite Units
HSC	MEDDAC	TDA/MTDA - TOE/MTOE Changes
DCSRM	Compt/DPT	OMA Fund Reconciliation

*Figure No. 6.
Responsibilities of Other Staff Offices/Agencies*

Based on program mark-ups, obligation authority (OA) is provided to the installation commander in two parts whereby; OA for subsistence is fenced or earmarked and may not be used for any other purpose without approval of the MACOMs (TRADOC/FORSCOM) and DA; and OA for the other materiel categories are provided in a lump sum with the installation commander having flexibility of adjusting OA between categories to meet particular needs.

(7) MAT CATS. At the installation, primary responsibility for Retail Stock Fund management is vested in the Director of Industrial Operations (DIO) and the Installation Comptroller. The accountable property officers (APO)/commodity managers are responsible for developing budget data by materiel category and must be knowledgeable of its sources of materiel. Figure 7 depicts the various MAT CATS and sources of supply used by TRADOC/FORSCOM installations.

Code	Material Category	Wholesale Manager	Sources of Purchase			
			AMC	DSA	GSA	Local
B	Ground Forces Spt-TROSCOM	AMC	X		X	X
C	Medical-Dental	DSA		X	X	X
E	General Supplies	DSA		X	X	X
F	Clothing & Textile	DSA		X	X	X
G	Electronics-ECOM	AMC	X		X	X
H	Air Material AVSCOM	AMC	X		X	X
J	Ground Forces Spt	DSA		X	X	X
K	Tank & Automotive-TACOM	AMC	X		X	X
L	Missile Material-MICOM	AMC	X		X	X
M	Wpns, FC, Spec Wpn	AMC	X		X	X
Q	Electronics	DSA		X	X	X
R	POL-DSA	DSA		X	X	X
S	Subsistence	DSA		X	X	X
T	Industrial Supplies	DSA		X	X	X

Figure No. 7.
Command Stock Fund Materiel Categories - Purchases by TRADOC

(8) Distribution Activities. At the installation level, Stock Fund obligation authority is distributed to each supply activity (ISD, Subsistence, Medical and DFAE Supply Account) that has a mission to requisition or locally procure some part of the installation's materiel requirements. The installation supply activities procure and distribute all classes of supply. However, Class V - Munitions and Class VII - End Items, are not subject to Stock Fund financing. All other classes, Class I - Subsistence, Class II - Secondary Items Authorized by Allowance Tables Including Expendables and Consumables, Class III - Fuels and Petroleum Products, Class VIII - Medical Materiel and Repair Parts, Class IX - Repair Parts (less medical) and Class X - Non-Military Support Items, are Stock Funded including nonstandard items. The eight classes of supply are assigned to 14 materiel categories for management purposes and are requisitioned or procured from various sources of supply. Although there are only four basic supply accounts at each installation, the actual distribution is accomplished through eight activities shown in figure 8.

o In some cases, the materiel in these distribution points is accounted for on both a line item and financial basis; in others, financial accountability only.

DISTRIBUTION ACTIVITY	ACCOUNTABILITY	
	LINE ITEM	FINANCIAL
ISD - Property Control Office	X	X
ISD - Self Service Supply		X
ISD - Clothing Sales Store		X
ISD - Clothing Initial Issue Point		X
CMSY OFF - Troop Issue Commissary		X
CMSY OFF - Commissary Store		X
MED - Medical Supply Office	X	X
DFAE - Repair and Utilities Supplies	X	X

*Figure No. 8.
Command Stock Fund Distribution Points/Accountability*

(9) Sources of Reimbursement. The installation currently uses the Retail Stock Fund as the carrier to replenish stocks. The requisition cites and obligates Retail Stock Funds for the positioning of stocks to the distribution activities. Items may be ordered from any of the wholesale suppliers of DARCOM, DSA, GSA, other services and from local procurement. However, reimbursement for Stock Fund materiel distributed to installation and off-post customers comes from many sources. Figure 9 lists the various sources that reimburse the Retail Stock Fund.

Funding Entity/Command
 OPERATIONS AND MAINTENANCE ARMY (OMA)
 TRADOC
 FORSCOM
 HSC
 MDW
 ACC
 Other

OPERATIONS AND MAINTENANCE ARMY RESERVE (OMAR)
 FORSCOM

Military Personnel Army (MPA)
 Reserve Personnel Army (RPA)
 National Guard (NG)
 Other Appropriated Funds:
 (AIF, PEMA, RDT&E, NAVY, AF, MC, DSA, MAP, CG, COE, HEW, FMS.)
 Cash
 (Commissary Stores, CSS)

*Figure No. 9.
 Command Stock Fund Sources of Reimbursement*

(10) Reports. Significant Stock Fund management data are provided in the following three reports:

<u>Report Title</u>	<u>RCS</u>	<u>Frequency</u>
Stock Fund Management Report	Statement 7	Monthly
General Ledger Trial Balance	AFCO/ATRM-77	Quarterly
Quarterly Stratification Report for Secondary Items	CSGLD-1438	Quarterly

o The first two reports originate in and flow through Comptroller channels while the third is a DCSLOG report. Data contained in these reports is used to measure program progress and the effectiveness of supply operations. In addition, the reports are the basis for briefing installation commanders and members of their staff.

(11) Significant functions performed by personnel within the DIO pertaining to Stock Fund financial management operations at TRADOC and FORSCOM installations are:

- o Retail Stock Fund budgeting and supply programming.
- o Retail Stock Fund management and control of obligation authority.
- o Retail Stock Fund line item and related dollar inventory accounting and reporting (quarterly stratification to DA, ICPs and SICCs).

b. Comptroller. Comptroller responsibilities for managing the Retail Stock Fund with the DCSLOG are outlined in preceding paragraphs, however, additional functions relating to financial management at the installation also include:

(1) Accounting, reporting, reimbursement and financial reconciliation of Retail Stock Funds with 20+ wholesale supply sources.

(2) Financial inventory dollar accounting/reporting of Retail Stock Funded inventories.

(3) Retail Stock Fund obligation authority control. (Dual function with DIO.)

(4) Cash control--cash for payment of bills.

(5) Retail Stock Fund budget preparation in coordination with the DIO. Ties in consumer fund budget with Retail Stock Fund budget.

(6) Billing (1080) between installation Retail Stock Fund and consumer funds are accomplished on a regular basis.

(7) Reconciliation of Retail Stock Fund accrued expenses to obligations, changes plus or minus to inventory, and undelivered orders. Applies to requisitions from installation level to wholesale supply sources.

(8) Review of actual sales on a periodic basis for comparison to projections.

(9) The current system provides complete interface between Supply, Stock Fund/FIA and General Funds. This interface is provided through the three basic modules of the SAILS system. All transactions are input to the supply module where they are processed and data affecting Stock Fund and FIA are taped and then passed to the Stock Fund/FIA module where they are processed in the Stock Fund general ledger. During this processing, transactions affecting General Funds are taped and passed on to the General Fund module. There is a feedback from the General Fund module to the Stock Fund/FIA module for reimbursements to the Stock Fund.

c. Billing and Reimbursement.

(1) The DARCOM wholesale supplier bills the installation Finance and Accounts Office (FAO) after a Materiel Release Order has been transmitted to the wholesale storage location. In addition, the wholesale level supplier also submits a 1061 monthly collection report to the Central Accounts Office (CAO) at Ft Ben Harrison, upon receipt at the CAO, the wholesale stock fund account is automatically credited.

(2) At the installation level (under BASOPS-Supply Management Subsystem) the Finance and Accounts Office (FAO) submits a 1061 disbursement report monthly to the CAO and the installation Retail Stock Fund is debited. The Central Accounts Office reconciles differences between the two accounts.

(a) Upon issue/sale at the installation, an advice card is processed to the MISO-SMS for quantitative operations, inventory decreases, etc, and then passes to the STANFINS module. STANFINS updates Stock Fund records, decreases inventory and increases sales.

(b) For on-post customers. Transactions are created to decrease OMA/end-use funds of the customer and increase OMA/end-use fund costs. The MISO prepares reports from DIO/FAO input and furnishes them to the FAO for customers he controls. A copy of these reports informs the customer of his financial position.

(c) For off-post customers. The FAO produces a 1080 bill through the daily cyclic process and creates an accounts receivable. The customer pays the 1080 bill to the Installation FAO. The Installation FAO also follows up on tardy payments of those off-post customers billed.

(3) At the installation level (under BASOPS-SAILS), the Finance and Accounts Office (FAO) submits a 1061 disbursement report monthly to the CAO and the Retail Stock Fund is debited. The Central Accounts Office reconciles differences between the two accounts.

(a) Upon issue/sale to on-post customers, transactions are recorded using interfund procedures; however, in this instance, SAILS produces an installation 1061 collection report monthly to the CAO whereby the Retail Stock Fund is credited; and STANFINS creates a 1061 disbursement report monthly to the CAO whereby the customers end-use funds are debited. Again, the Central Accounts Office at Ft Ben Harrison reconciles the accounts.

(b) For on-post customer support, STANFINS prepares financial reports to the Finance and Accounts Office for distribution to customers indicating their fund position.

(c) For off-post customers, Finance and Accounts Office prepares 1080 bills for customers or interfund transaction cards for customers to pay or reimburse the Retail Stock Fund with their end-use appropriation.

9. Concept to Phase-Out the Army Retail Stock Fund.

a. Background. Several alternative concepts were developed and discussed in detail with personnel from TRADOC, FORSCOM, DARCOM, DSA, COA, and the DA DCSLOG Stock Fund Division prior to arriving at an agreeable concept. (See appendix D.) Briefings on the concept were given to personnel from DSA, HSC, COA and DCSPER to obtain their viewpoints and assessment on the funding change, that is, elimination of the Retail Stock Fund and replacing it with OMA financing. Figure 10 outlines general statements by levels to accommodate the concept.

DA/OSD

- Allocate Stock Funds to wholesale level
- Provide SF OA MACOMs (Subsistence and Clothing only)

MACOMS

- Continue programing supply requirements
- Present and justify requirements

INSTALLATIONS

- SSAs establish ROs
- SSAs requisition materiel
- Wholesalers reimbursed, based on billings
- OMA finance local purchase except Subsistence and Clothing
- Item and financial visibility at installation
- Report financial data to wholesale level periodically

WHOLESALE

- Ship materiel based on installation requisition
- Bill seven days after MRO

GENERAL

- Dual systems
- FAO changes
- Regulatory changes (Supply and Finance)

Figure No. 10.
General Requirements by Level of Command

After a general officer briefing on 28 May 1975 at USALEA, the general concept was expanded to identify DIO, FAO, and Comptroller functions which are currently being performed in order to assess the impact of the concept. Figure 11 identifies the functional areas and functions.

DIO

- Supply Management operations in ISD
- Budgeting and supply programing
- Fund management and control; Retail Stock Fund, OMA
- Line Item and Dollar Inventory Accounting and Reporting

COMPTROLLER

- Fund Control
- Budget data for wholesale suppliers -
 - By supplier, by ICP, by MAT CAT, by Fund
- Dual systems; Retail Stock Fund, OMA
- Purification of unliquidated obligations

FAO

- Fund management and control
- Fin Inventory Accounting/Reporting
- General Journal and subsidiary files
- Undelivered order status
- Cash control
- Budgeting
- Billing
- Reconciliation - with 20+ suppliers
- Dual systems
- Cost distribution

*Figure No. 11.
Functional Areas and Functions*

(1) At the Mini-ALPC Work Group meeting at USALEA 26-28 Aug 75, additional alternatives were developed for briefing to the ALPC. (See appendix F.)

(2) At the ALPC meeting, 23-24 Oct 75, the members recommended to continue the development of the concept and to coordinate with TRADOC and FORSCOM headquarters personnel prior to visiting an installation from each command for assessing the impact. In addition, copies of the concept were to be furnished the HQ USAREUR DCSLOG.

b. General.

(1) The concept was expanded in greater detail prior to visiting Fort Sill, OK and Fort Riley, KS to assure that full coverage would be made of all functional areas. See figure 12.

- Retail Stock Fund decapitalized to OMA
 - Additive OMA \$ required - undelivered orders
 - OR, some residual Retail Stock Fund for items on order and undelivered
- SSAs prepare and submit annual budgets by MAT CAT to ISD for roll-up to installation, then to MACOM, then to DA
- SSAs initiate requisition - obligating OMA funds
- SSAs obligate OMA for non-standard, non-stocked for LP
- SSAs perform studies and review on their items
- SSAs must insure operational readiness and supply performance to customers
- APCs and DODAACs for each SSA
- DSS environment - BASOPS/SAIS
- Review reimbursements and billings

*Figure No. 12.
Expanded Concept*

(2) After discussion with the MPA Fund Director (DCSPER) action officers by a DA DCSLOG Stock Fund representative, the expanded concept had to retain the Retail Stock Fund financing for Clothing and Subsistence. The other SSAs would be OMA financed and will result in dual funding systems.

(3) The two-man LEA team, together with a representative of the DA DCSLOG Stock Fund Division and TRADOC/FORSCOM stock fund personnel, visited Fort Sill, OK and Fort Riley, KS to brief, discuss, analyze and obtain preliminary assessment on the functional areas of the developed concept. As these installations were operating in the Direct Supply Support (DSS) environment (see page 4), the following two depictions of DSS requisitioning processing and DSS shipments were reviewed. See figures 13 and 14.

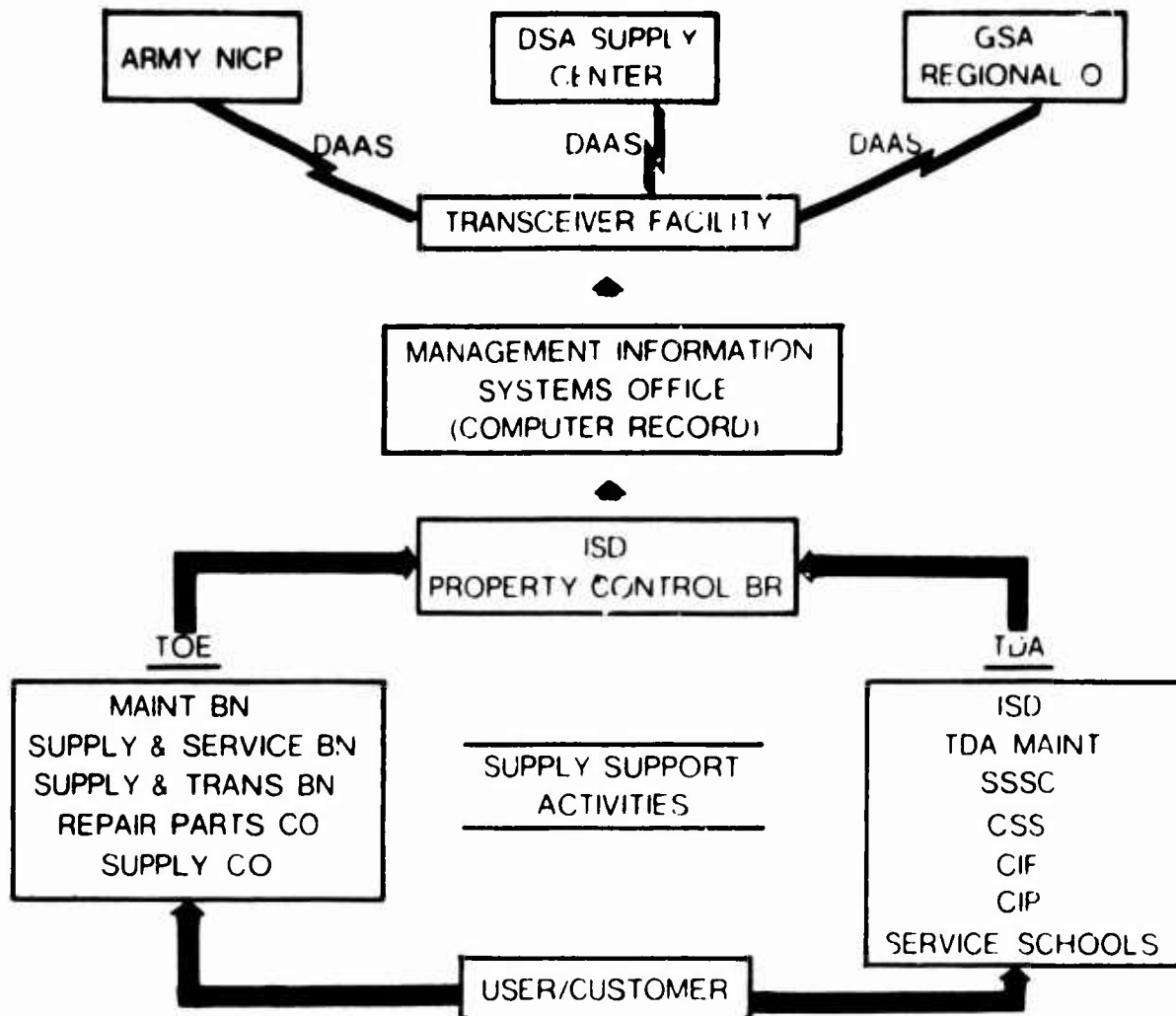


Figure No. 13.
Flow of DSS CONUS Requisitions

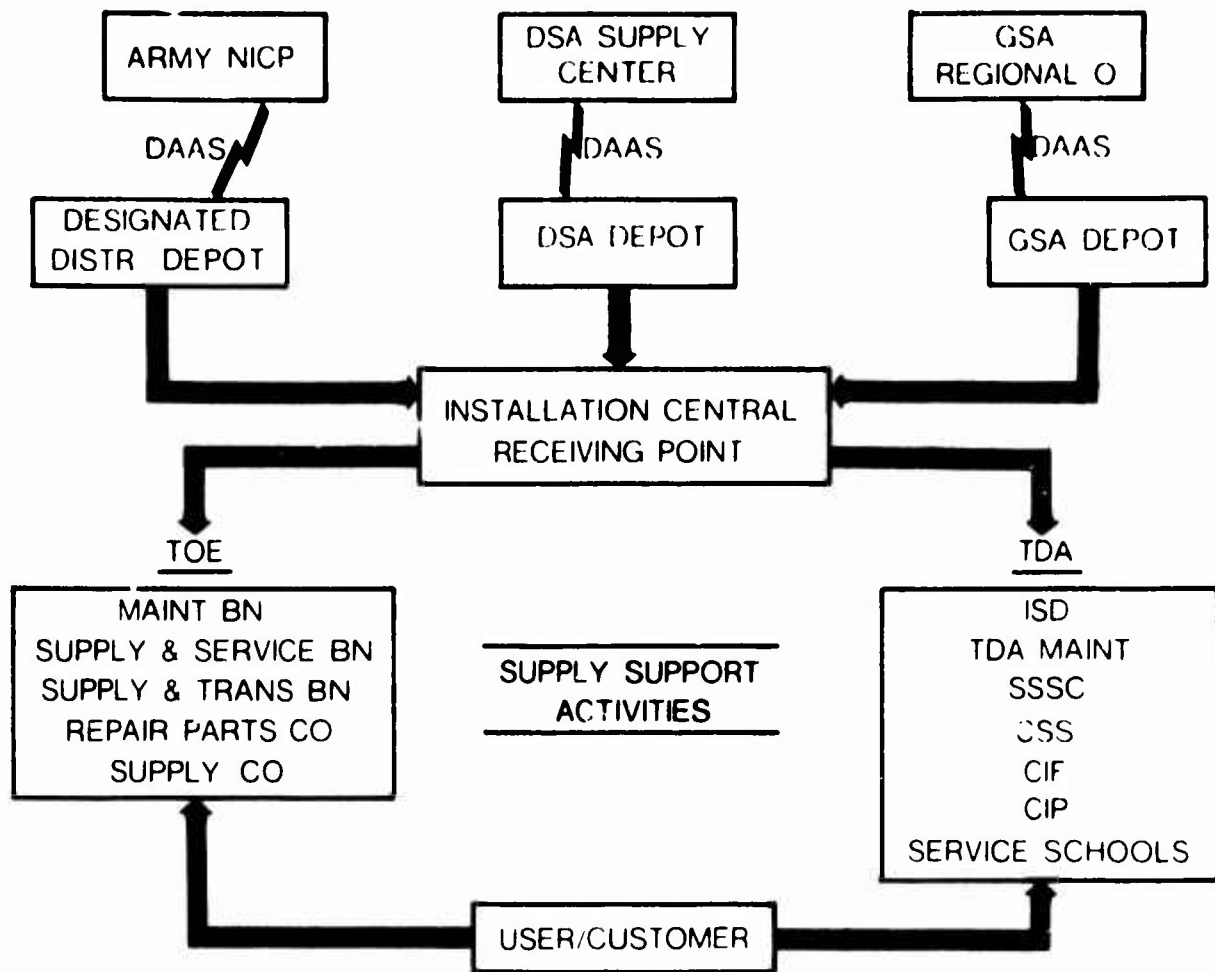


Figure No. 14.
Flow of DSS CONUS Shipments

c. Requisition/Distribution Flow. After reviewing the expanded concept plus the current flow of CONUS DSS requisitions and materiel flow, the depiction of figure 15 was discussed in detail with the management and operating personnel at two CONUS installations.

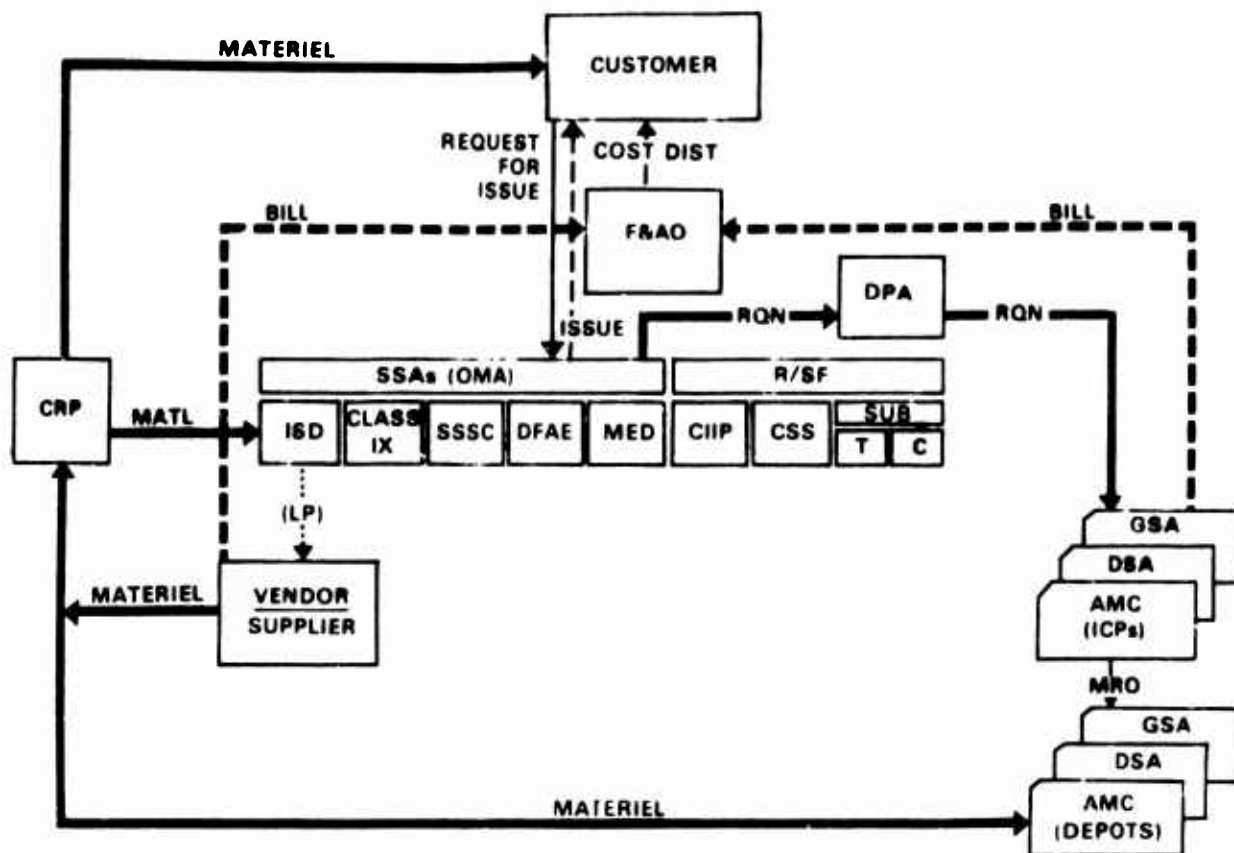


Figure No. 15
Requisitions/ Distribution Flow

This depiction gave installation personnel a visual aid to better understand the concept and enable them to assess the functional areas outlined in figures 11 and 12.

d. Financial Management/Fund Control for Phase-Out.

(1) In the development of the concept to phase-out the Retail Stock Fund at installation level, agreement could not be reached with the Program Director (DCSPER) to either buy out the Retail Stock Fund or decapitalize the Retail Stock Fund and capitalize MPA funding for clothing and subsistence. Therefore, the concept has dual funding systems; a Retail Stock Fund to support Clothing Sales Stores (CSS), Central Initial Issue Point (CIIP) and Troop Issue Subsistence Activity (TISA) and an OMA financing system to support the Supply Support Activities (SSAs). Under the OMA financing system each Major Activity Director would be responsible for managing his OMA allotments; Health Services Command (HSC), DFAE, ASA, ACC, and the remaining SSAs (SSSC, CIF, Class IX TMS, and the residual general support of the ISD) under the DIO.

(2) Under this concept of operation the various Activity Directors -- their SSAs and the Comptroller would be responsible for the development of their respective budget and supply programs to support their customers. In essence, they would have separate funded inventories even though the SSAs would be operating with OMA funds replacing the Retail Stock Funds. Functions to be performed are:

(a) Separate budgeting and supply programing by each SSA by Activity Director for OMA financing as well as the Retail Stock Fund. The ISD as an SSA submits requisitions to wholesale suppliers for supply support to non-DSS activities and for activities submitting requests for classes of supply not included under DSS.

(b) SSAs submit requisitions to the ISD for edit, funding and supply action. The ISD receives, edits, funds, records and forwards requisitions for other SSAs located or satellited on the installation. Requisitions initiated by the SSA also identify the FY in which OMA funds are obligated. SSAs also obligate OMA funds for nonstandard, nonstocked items for local purchase that are processed through the ISD.

(c) Line item and financial accountability will be maintained by each SSA for its ASL items. ISD/SSA requisitioning objective will reflect only demands of those units depending on ISD/SSA for supply support. SSAs will perform studies and reviews for their OMA funded items.

e. Comptroller Functions Required with Phase-Out.

(1) Accounting, reporting, reimbursement and financial reconciliation of each SSA funding account with the 20+ wholesale suppliers.

(2) Financial inventory accounting/reporting of each SSA funding account.

(3) Fund control in coordination with the SSAs and the Activity Directors funding account and for each end use appropriation (OMAR, MAP, FMS, MPA) by separate consumer account (HSC, DFAE, ASA, NG).

(4) Cash control--cash for payment of bills.

(5) Budget preparation in coordination with DIO for dual systems (OMA and Retail Stock Fund).

(6) Billing (1080) between SSA and user accounts is administered by installation F.O.

(7) Reconciliation of accrued expenses to obligations for each end-use appropriation, changes plus or minus to all inventory and undelivered orders. (Applies to all requisitions generated at installation level.)

10. Current Army Retail Stock Fund vs Phase-Out of the Army Retail Stock Fund in Financial Management.

a. Director of Industrial Operations.

(1) Budgeting and Supply Programing. There is a continuing need to provide data to the wholesale supply sources concerning total installation/command requirements. The supply program and budget under the current horizontal stock fund system requires one set of statements for each materiel category and one set consolidated, for a total of 15 sets. Supply programs must be established for each wholesale supplier by separate funding entity. Budgeting and supply programing become more complicated with phasing out the Retail Stock Fund at installation level because dual systems are required; the Retail Stock Fund to operate clothing and subsistence activities and OMA to operate the remaining Supply Support Activities. Under the concept to phase out the Retail Stock Fund there will be a requirement for 87 sets of supply and budget statements. Figure 16 illustrates the supply program and budget statements that will be required. Both the budgeting and supply programing functions at each TRADOC and FORSCOM installation and headquarters will increase in scope, complexity, and magnitude.

MAT CAT		AMC			DSA			GSA	LP	Consol	Consol	Total No. Statements
		R/SF	OMA	Consol	R/SF	OMA	Consol	OMA	OMA	R/SF	OMA	
Gnd Forces Spt	AMC		1	1				1	1		1	6
Gnd Forces Spt	DSA					1	1	1	1		1	6
Medical/Dental	DSA					1	1	1	1		1	6
General Support	DSA					1	1	1	1		1	6
Clothing & Tex	DSA				1	1	1	1	1	1	1	8
Electronics	AMC		1	1				1	1		1	6
Electronics	DSA					1	1	1	1		1	6
Air Materiel	AMC		1	1				1	1		1	6
Truck & Autmv	AMC		1	1				1	1		1	6
Missile Mat	AMC		1	1				1	1		1	6
Weapons, FC	AMC		1	1				1	1		1	6
POL	DSA					1	1	1	1		1	6
Subsistence	DSA				1	1	1		1	1	1	7
Ind Support	DSA					1	1	1	1		1	6
TOTAL			6	6	2	8	8	13	14	2	14	87

Figure No. 16.
Supply Program and Budget Statements (Phase-Out)

(2) Funding Management and Control. Overall management of the installation's segment of the command retail stock fund is vested in the DIO at each TRADOC/FORSCOM installation and the DCSLOG at the command's headquarters. The control of obligation authority is a joint function between the DIO and Comptroller. Since installation inventories will be financed with OMA and Retail Stock Funds, there is now a requirement for the DIO to exercise fund management and control of obligation or requisition authority for the ISD and SSA stocks requisitioned from wholesale suppliers or locally purchased. Retail Stock Fund managers' responsibilities decrease but OMA managers' workload increases as a result of SSAs inventories being financed with OMA. The OMA managers will be involved in obligations, undelivered orders, reconciliations and maintaining records of funds cited by fiscal year. The scope of funding management and control for two funding system increases compared to the function performed under the current Retail Stock Fund.

(3) Line Item and Dollar Inventory Accounting/Reporting. Under the Retail Stock Fund the MACOM Headquarters DCSLOG and installation DIO perform line item accounting and related dollar inventory reporting in a quarterly stratification to DA and the wholesale suppliers. Analysis of the dual funding systems at installation level indicates that the SSA function of reporting inventory

Financed with OMA funds will be an additional responsibility. Inventory assets which are financed with OMA funds will continue to be reported to the DIO by MAT CAT and dollar value. The DIO will continue to perform the function as well as the additional responsibilities of consolidating, balancing and reporting.

b. Comptroller.

(1) Accounting, Reporting, Reimbursement, and Financial Reconciliation. Retail Stock Fund procedures require each TRADOC/FORSCOM installation to perform accounting, reporting, reimbursement and financial reconciliation of one command Retail Stock Fund with the 20+ wholesale supply sources of DARCOM, DSA, GSA and the other Military Services. The Retail Stock Fund accounting system will continue to support the clothing and subsistence SSAs, however, the other SSAs impacted by eliminating Retail Stock Fund support will be decapitalized and will transfer all assets and liabilities, except cash, to the OMA fund. The withdrawal of cash would be by higher headquarters and these actions would be supported by journal vouchers based on data in the general ledger. Computer programs to transfer subsidiary files from the Retail Stock Fund to OMA appropriation must be developed. The format of current Retail Stock Fund undelivered order status listing could be maintained as the logistic system. Supporting files to reconcile and certify due-in/due-out files between each wholesale supply source and each separate SSA will be maintained. Requisitions will obligate funds and upon receipt will be accrued and costed. It is visualized that a portion of the installation operating funds (OMA) will be tied up in undelivered orders. The scope and magnitude of these functions will be increased.

(2) Financial Inventory Accounting/Reporting. Although related to line item accounting performed by the DIO, the Comptroller is required to prepare and report financial inventory account documentation for stocks at intermediate level. The Comptroller would now have to prepare and report financial inventory account documentation for two funding systems (OMA and Retail Stock Fund) rather than one command Retail Stock Fund. Financial inventory reporting will be accomplished for assets managed at the SSAs with the 20+ wholesale supply sources. Program changes to a format similar to the current Retail Stock Fund reports would be required. The scope and magnitude of this function will be increased.

(3) Fund Control. This function is jointly performed with the SSAs and the DIO. With dual systems operating at an installation, the requirement increases to exercise fund control for the dollar value of installation/SSA requisitions placed on the wholesale suppliers. The scope and magnitude of this function will be greater due to the increased frequency of requisitioning.

(4) Cash Control. This function involves the control of cash for payment of bills. The function is retained and continues even though there is dual financing (OMA and Retail Stock Funds) at the installation. The scope remains the same.

(5) Budgeting. As previously discussed under the DIO, the budgeting function becomes more complicated under two funding systems. Separate schedules and statements must be prepared for each wholesale supplier for each funding system. This function increases in scope and magnitude.

(6) Billing. The installation FAO currently performs formal 1080 billing between the installation Stock Fund and customers when the customer's account is not administered by the installation Finance and Accounts Officer. For on-post customers, transactions are created to decrease the end-use funds of the customer and increase end-use fund costs. The MISO produces reports from FAO/DIO input and furnishes them to FAO for customers he administers. A copy of these reports informs the customer of his financial position. Personnel required to administer this activity remains the same under the phase-out concept of the Retail Stock Fund system.

(7) Reconciliation of Accrued Expenses to Obligation, Changes to Inventory and Undelivered Orders. The task currently involves financial reconciliation between the installation Retail Stock Fund and the wholesale stock funds of each supply source. Reconciliation of expenses, undelivered orders and computation of inventory changes apply to installation and SSA stocks financed by the Retail Stock Fund for which requisitions were submitted to the wholesale level. The developed concept will require reconciliation of expenses, inventory changes and undelivered orders between each wholesale supply source for each OMA and Retail Stock Fund Supply Support Activity (SSA). Under the DSS concept, the volume of requisitions generated by the SSAs to the wholesale level is estimated to increase by approximately 50%. Personnel required to administer this function will increase.

(8) Figure 17 depicts Ft Sill, OK/Ft Riley, KS, DIO and Comptroller functional work elements which increase, decrease or remain the same for financial management at the installation level under the concept developed for this study.

HEADQUARTERS DCSLOG/INSTALLATION DIO:	DEVELOPED CONCEPT SCOPE/MAGNITUDE		
	Increase	Decrease	Same
Function			
Budgeting, Supply Programing	X		
Funding Management and Control	X		
Line Item and Dollar Inventory			
Accounting/Reporting	X		
Headquarters/Installation Comptroller:			
Function			
Accounting, Reporting, Reimbursement,			
Financial Reconciliation	X		
Financial Inventory Accounting/Reporting	X		
Fund Control	X		
Cash Control			X
Budgeting	X		
Billing			X
Reconciliation of Expenses to Obligations,			
Changes to Inventory and Undelivered Orders	X		

Figure No. 17.
Ft. Sill/ Ft. Riley Financial Management Functional Analysis

(9) Current Army Retail Stock Fund vs. the Phase-Out of the Army Retail Stock Fund for Financial Management. The financial management for the current and the phase-out for Ft. Sill and Ft. Riley are displayed in figure 18.

	FINANCIAL MANAGEMENT MAN-YEARS		
INSTALLATION	CURRENT	PHASE-OUT	DIFFERENCE
Fort Sill			
DIO	6.5	14.0	+7.5
Comptroller	29.0	34.0	+5.0
TOTAL	35.5	48.0	+12.5
Fort Riley			
DIO	8.0	11.0	+3.0
Comptroller	29.0	34.0	+5.0
TOTAL	37.0	45.0	+8.0
COMBINED TOTAL	72.5	93.0	+20.5

*Figure No. 18.
Ft. Sill/ Ft. Riley Financial Management Man-Years*

11. Analysis of Current versus Phase-Out Supply Management Operations.

a. Implementation of Regulatory Policies for Stockage and Requisition Objectives. Supply management procedures, stockage range and requisition objectives are established in accordance with AR 710-2, Materiel Management for Using Units, Support Units, and Installations. Economic Inventory Policy (EIP) under AR 710-2 requires requisitioning monthly, quarterly, semiannually and annually based on dollar value of annual replacement demands. Under DSS, stockage policy is based on number of demands, 6 to make ASL, 1 to 3 to continue on ASL, all within 360 days. This conflict in DA stockage policy will have to be resolved. However, the function remains the same for the ISD and increases for the SSAs.

b. Computation of Requisitioning Objective (RO). Requisition objectives for Authorized Stockage List (ASL) items are calculated at each Supply Support Activity (SSA). The ISD RO will reflect only demands of those units depending on the ISD for supply support. The

ISD as an SSA will provide supply support to non-DSS activities and to activities submitting requests for classes of supply not included in DSS. For non-automated SSAs, the ISD provides monthly recommended RO/ROP, prepunched requisitions and preprinted title inserts (for SAILS installations only). If the SSA is automated, the computer provides current ASL items with RO and ROP for each item. The number of ASL lines at the ISD decreases under DSS but a number of lines shift to the various SSAs at the installation and the SSAs have an additive responsibility.

c. Preparation of Stock Control Studies and Stock Status Reviews. The ISD must perform studies for reviews on OMA funded items (for non-DSS customers) and those items that are locally purchased. The SSAs will also perform studies and reviews for their OMA and Retail Stock Fund items which is an additive responsibility.

d. Replenishment Requisitioning. The Supply Support Activities (SSAs) will submit replenishment requisitions for ASL items whenever the reorder point is reached. Requisitioning will be frequent due to the small RO that is supported, which will cause additive manual review by the ISD prior to the requisition leaving the installation. All requisitions are submitted to the ISD for edit, funding and supply action.

e. Processing Customer Supply Requests and Provision of Status. This ISD function will continue to be performed under the phase-out concept with edit and fund control performed prior to release to the wholesale supplier for ISD customers. In addition, requisitions from SSA customers will be reviewed, edited and routed through the ISD to the wholesale supplier and status will flow back through the same channels. SSA workload will increase and ISD workload will remain the same.

f. Requisition Control. The ISD as an SSA will submit requisitions and provide support to non-DSS activities and activities submitting requests for classes of supply not included in DSS. The ISD will receive, edit, fund, record and forward requisitions from other SSAs located or satellited on the installation to the supplier. In addition, the SSAs will perform requisition controls for their customers prior to passing to the ISD for submission to the wholesaler. ISD insures that items coded with source of supply as DX, cannibalization, LP, fabrication are not passed. If materiel is not available within installation resources, then the requisition will be passed certifying materiel not obtainable locally. The ISD functions remain the same and the SSA functions increase.

g. Customer Assistance. Direct coordination is performed by the ISD with the wholesale and local procurement supply sources in matters pertaining to requisitioning, local purchase requests, status and shipment of excess materiel. The SSAs, working through the ISD, must insure operational readiness and satisfactory supply performance is not degraded. The functions performed by the ISD remain the same and increase for the SSAs.

h. Supply Performance Evaluation. The ISD considers the supply effectiveness of the wholesale supply sources to the installation and of the ISD to his supported customers. The principal tool used in the evaluation of supply performance is the Supply Support Effectiveness Report, RCS ATLOG 74. The Supply Support Activities (SSAs) are now responsible for providing effective supply support and must develop a report similar to the ATLOG 74 which is an additive responsibility.

i. Contingency Supply Support and Planning. Currently, the ISD requisitions, manages and documents operational projects in support of emergency, mobilization and general war plans. TRADOC/FORSCOM will participate in determining stockage levels and CONUS commanders will maintain the stocks located at the installations with limited flexibility of use by the MACOM.

j. Preparation and Processing of Local Purchase Requests. The principal change in the function will be the ISD certification of consumer funds as well as Retail Stock Funds for local purchase. SSA requests for LP will be either OMA funded or Retail Stock Funded for clothing and troop issue subsistence. Personnel resources required to manage the LP function will increase for the ISD and for the SSAs.

k. Property Control. At the installation level, this function encompasses the receipt, storage, classification, maintenance, issue and disposition of all materiel. SSAs will be responsible for receipt, storage and issue and reporting items for disposal. Classification of materiel will be the responsibility of the Accountable Property Officer (APO) who will also be responsible for receipt, storage, issue and disposition of materiel. Responsibilities for the APO will be the same and be additive for the SSA.

l. Excess Reporting and Disposition. Included in this function are the requirements for reporting, utilization screening, redistribution, retail sale and financial record accounting of excess items. The SSAs will be responsible for turn-in of excesses to the APO who report to wholesale suppliers for disposition. Accurate financial and item accounting records will be required at the SSAs. The APO functions of receiving, storing, reporting and shipping excesses will remain the same.

m. Physical Inventory Direction. The APO under the current system is responsible for inventory adjustment and warehouse refusals, receipts, storage and issue for items managed. All SSAs will be responsible for warehouse refusal, receipt, storage, issue for their OMA or Retail Stock Fund materiel as the materiel will be stored in separate warehouses. The APO will have additional responsibilities when excesses are turned in and picked up on accountable records and the SSAs will have additive responsibilities.

n. Materiel Category Structure Accounting. At the installation level, Stock Fund accounting is performed by line item and dollar value within materiel category for Retail Stock Fund items. Under the phase-out concept, SSAs will perform financial accounting by line item and dollar value within MAT CAT for OMA funded and Retail Stock Fund items as appropriate. No change envisioned for the APO and an increase for the SSAs.

o. Operation and Supervision of Installation Consolidated Supply Activities. This function involves determination of stockage levels, stock record accounting, inventory, storage, sale and issue of items at the SSSC, CIF, CSS and CIIP. Under the phase-out concept, the SSAs for CSS and CIIP will be financed with Retail Stock Funds and the other SSAs will be OMA financed. Each SSA will be required to perform budgetary functions, reporting, line item accounting and financial management of sales. In addition, each SSA will receive, store and issue. ISD will be consumer funded for non-DSS customer items of supply, ROs computed, line item and dollar accountability maintained. ISD responsibilities do not change.

p. Operation as a Direct Support Unit. Currently, the ISD functions as a DSU for those customers not supported by a divisional or nondivisional TOE DSU. ISD would continue to operate as a DSU except that the ISD items will be OMA financed. Other SSAs will be either OMA or Retail Stock Fund and each will perform requirements computation, requisitioning, receipt, storage and issue. ISD functions will be the same and the SSA functions will increase.

12. Installation Supply Division - DIO/Phase-Out Concept.

a. Responsibilities.

(1) Plans, directs, and supervises the administrative and technical operation of all assigned functions. Supervises the formal item and/or dollar accountability, receipt, issue and storage of all supply items by materiel category under a consolidated account except Medical, Subsistence and Engineer (R&U). Provides for ammunition surveillance and inspection, operation of the Self Service Supply Center (SSC), the Clothing Sales Store (CSS), Reserve Component Support, Central Issue Facility and Direct Exchange Facility.

(2) Under the OMA concept of operations, the Clothing Sales Store (CSS), Self Service Supply Center (SSSC), Central Issue Facility, and the Direct Exchange become separate Supply Support Activities (SSAs) and are responsible for line item and financial accountability for their ASL items, and their current functions are:

(a) Clothing Sales Store. Provides a clothing sales outlet for the issue and sale of personal and designated organizational clothing and equipment to both active and retired military personnel. Requests, receives, and stores personal clothing, including special measurement items and footwear. Performs fittings and makes alterations and exchanges of clothing items. Maintains records as prescribed for clothing sales stores and deposits funds.

Under the phase-out concept, the Clothing Sales Store would continue to be funded by the Retail Stock Fund for personal clothing items and OMA funds for organizational clothing and equipment. An additional resource would be required in the financial management area for budgeting and reporting purposes.

(b) Self Service Supply Center. Operating similar to a commercial supermarket, the SSSC is responsible for distribution of specified expendable supplies to activities authorized logistical support by the installation. Publishes the SSSC catalog annually, and changes thereto, on a quarterly basis. Determines adequate stock levels, submits requisitions, receives, stocks, prices, check-out operations and shipping. Conducts inventories, accounting and provides monthly statements to customers. Customers served include all on-post units/activities and off-post units of the Reserve, Guard and ROTC.

Under the OMA concept of operations, the SSSC would require an additional resource in the financial management area for budgeting and reporting purposes.

(c) Central Issue Facility. Receives, stores, issues, segregates, inspects, sizes, and disposes of salvaged items to Property Disposal. Maintains property book records for all items handled.

The Central Issue Facility would continue current operations and would require an additional resource in the financial management area for funding and reporting purposes.

(d) Direct Exchange Facility. Requisitions, receives, inspects, stores, and exchanges or issues authorized and substitute DX items. Computes and maintains authorized stockage levels. Places DX items on job order to maintenance for repair and return to stock for exchange or other disposition.

Under the OMA concept of operation, the DX facility would require an additional resource in the financial management area for budgeting and reporting purposes.

(e) Customer Assistance. Coordination is performed with the 20+ wholesale suppliers and local procurement supply sources for each SSA in matters pertaining to requisitions, LP requests, status and shipment of materiel.

Under the OMA concept of operation, additional personnel resources would be required in preparation of reports and stock control studies for the SSAs.

(f) Materiel Management Area. Manages supplies and equipment by materiel category. Each materiel category element is responsible for managing inventories by item within materiel category.

Responsible for stock control policies and procedures for requisitioning objectives and supply levels in support of units and activities. Manages the obligation authority allocated to the accountable property officer. Reconciles, identifies and reports excesses for disposition. Reviews and analyzes stock fund management reports.

Under the OMA concept of operation, OMA fund controls must be established and the resulting exceptions (rejects) increase due to increased frequency of replenishment by SSAs will require corrective action prior to resubmission; therefore, additional personnel resources will be required for keypunching and for supply coding.

(3) Current Army Retail Stock Fund vs. the Phase-Out of the Army Retail Stock Fund for the Installation Supply Division (ISD). The supply and financial management man-years for the ISD for the current and the phase-out for Ft. Sill and Ft. Riley are displayed in figure 19.

INSTALLATION	MAN-YEARS		
	CURRENT	PHASE-OUT	DIFFERENCE
Fort Sill			
ISD - Supply Mgt	123.0	130.0	+7.0
ISD - Finance Mgt	6.5	14.0	+7.5
TOTAL	129.5	144.0	+14.5
Fort Riley			
ISD - Supply Mgt	147.0	155.0	+8.0
ISD - Finance Mgt	8.0	11.0	+3.0
TOTAL	155.0	166.0	+11.0
COMBINED TOTAL	284.5	310.0	+25.5

Figure No. 19.
Ft. Sill/ Ft. Riley ISD Man-Years

13. Analysis of Current versus Phase-Out Financial Management Operations.

a. Finance and Accounts Office.

(1) Accounting, Reporting, Reimbursement and Financial Reconciliation. The use of the consumer appropriation for purchases from the Wholesale Stock Fund systems will require software changes in the present Standard Finance System (STANFINS). Edit files will be changed to accommodate consumer funds in lieu of the Army Stock Fund appropriation. The station unique file will be changed to accommodate accounting/logistical data for each SSA. The finance and accounting office will take the following action for proper accountability.

(a) The Retail Stock Fund general ledger accounts will be closed out and all assets and liabilities, except for cash, will be transferred to the consumer fund. The withdrawal of cash will be made by higher headquarters. This action will be supported by journal vouchers based on data reflected in the general ledger. Computer programs will be changed to transfer subsidiary files from the Retail Stock Fund to the consumer appropriation. The formats of the present Retail Stock Fund will be maintained as the logistical system and maintain supporting files to reconcile and certify the due-in/due-out file between each wholesale supply source and each separate SSA.

(b) The transfer of the Retail Stock Fund as stated above will be capitalized into OMA funds.

(c) Requisitions will be obligated, and upon receipt will be accrued and costed. Periodic reconciliations will be accomplished between the SSA and the requisitioner.

(d) Programs will be developed to record the sales and reimbursement for those customers satellited on the installation. Sales to off-post customers will be accomplished by using numeric accounting processing codes similar to present Retail Stock Fund procedures.

(2) Financial Inventory Accounting/Reporting. Financial inventory reporting by the 20+ wholesale supply sources and SSA will be maintained. Program changes will be accomplished in a format similar to the present Retail Stock Fund reports.

(3) Fund Control. Obligation target will be established as obligation authority to exercise consumer fund control of SSA requisitions to the wholesale supply sources.

(4) Billing. The 20+ wholesale supply sources will bill the consumer fund based on fund codes and signal code for each SSA.

(5) Reconciliation of Requisition, Receiving Report and Shipping Document. Periodic reconciliation of the due-in/due-out file between each wholesale supply source for each separate SSA will be accomplished.

(6) Personnel Requirement. Increased emphasis must be placed to insure proper accountability and to preclude an overobligation of consumer funds. An expected increase of approximately 50 percent in transactions will require additional spaces in the Accounting Branch of the Finance and Accounting Office.

14. The Current Army Retail Stock Fund vs. the Phase-Out of the Army Retail Stock Fund for the Accounting Branch. Man-years for the accounting branch for the current and the phase-out for Ft. Sill and Ft. Riley are displayed in figure 20.

INSTALLATION	MAN-YEARS		
	CURRENT	PHASE-OUT	DIFFERENCE
Fort Sill			
Accounting Branch	29	34	+5
Fort Riley			
Accounting Branch	29	34	+5
TOTAL	58	68	+10

Figure No. 20.

Ft. Sill/ Ft. Riley Accounting Branch Man-Years

15. Ft. Sill and Ft. Riley Man-Years for the Current Army Retail Stock Fund vs. the Phase-Out of the Army Retail Stock Fund for all their Functions. Total man-years for Ft. Sill and Ft. Riley annual operation of the current Army Retail Stock Fund and the phase-out of the Army Retail Stock Fund are displayed in Figure 21. The man-years represent composite data for both Ft. Sill and Ft. Riley in the functional areas of the Installation Supply Division (ISD), the Accounting Branch of the Finance and Accounting Division, Self-Service Supply Center (SSSC), Clothing Sales Store (CSS), Medical-Dental Activity (MEDDAC), and the Director of Facilities and Engineering (DFAE). Data gathered from only two CONUS installations, Ft. Sill and Ft. Riley, indicates a requirement exists for 43 1/2 additional personnel or a 9.9% increase in personnel to phase-out the Army Retail Stock Fund.

INSTALLATION	FUNCTION	MAN-YEARS		
		CURRENT	PHASE-OUT	DIFFERENCE
Fort Sill	ISD - Supply Mgt	123.0	130.0	+7.0
	ISD - Finance Mgt	6.5	14.0	+7.5
	Accounting Branch	29.0	34.0	+5.0
	SSSC	7.5	7.5	0
	CSS	8.0	8.0	0
	MEDDAC - Mgt	5.0	6.0	+1.0
	MEDDAC - Supply	11.0	12.0	+1.0
	DFAE - Mgt	8.0	9.0	+1.0
	DFAE - Supply	10.0	11.0	+1.0
	TOTAL	208.0	231.5	+23.5
Fort Riley	ISD - Supply Mgt	147.0	155.0	+8.0
	ISD - Finance Mgt	8.0	11.0	+3.0
	Accounting Branch	29.0	34.0	+5.0
	SSSC	7.0	7.0	0
	CSS	6.0	6.0	0
	MEDDAC - Mgt	5.0	6.0	+1.0
	MEDDAC - Supply	12.0	13.0	+1.0
	DFAE - Mgt	7.0	8.0	+1.0
	DFAE - Supply	10.0	11.0	+1.0
	TOTAL	231.0	251.0	+20.0
COMBINED TOTAL		439.0	482.5	+43.5

Figure No. 21.

Ft. Sill/ Ft. Riley Man-Years for the Current Army Retail Stock Fund vs. the Phase-Out of the Army Retail Stock Fund for all their Functions

Other Costs and Functional Impacts. In addition to the costs involved for 43 1/2 more personnel at two CONUS installations, Ft. Sill and Ft. Riley, to phase-out the Army Retail Stock Fund, there are other cost areas which will impact substantially on Army resources:

- o Regulatory changes of Department of the Army, the major commands and the installations associated with finance and supply.
- o Major software changes in both the Standard Finance System (STANFINS) and the Base Operations Information System (BASOPS/SAIS).
- o Training of personnel in supply and financial management in the APO and SSAs.
- o Costs are involved in the USAHSC to budget, manage and operate a funding system in lieu of support from the DARCOM AMCID and the TRADOC/FORSCOM Stock Fund branches.

APPENDIX A

C O P Y

THE DEPUTY SECRETARY OF DEFENSE
WASHINGTON, DC 20301

OCT 23 1974

MEMORANDUM FOR: Secretaries of the Military Departments
Director of the Defense Supply Agency

SUBJECT: Materiel Management in the Vertical Environment

As a further step toward vertical materiel management, the Logistics Systems Policy Committee (LSPC) has adopted the following objective:

"Expense type items assigned to the Military Services and the Defense Supply Agency (DSA) will be financed in accordance with the vertical stock funding concepts established for each Military Service and DSA to the extent that cost benefits will accrue and logistic responsiveness to the operating forces is not lessened. Supporting systems will be made standard to the degree practicable, and will be tailored to the form of vertical supply management employed."

In viewing a totally oriented vertical supply management system, I am aware of the problems involved in (1) crossing organizational lines whereby intermediate level supply support would be dependent upon an item manager of a different DoD Component, (2) extending item managers' responsibilities into overseas areas, and (3) the interface problem, which exists in automated systems of the several wholesale/retail levels of supply management.

I believe, however, that significant improvements along vertical lines can continue to be made consistent with the objective of the LSPC. Two implementing actions (IAs) which have been adopted by the LSPC are enclosed. I have directed that the ASD (Comptroller) take immediate steps to develop the concepts of vertical stock fund management for each Component as outlined in enclosure (Implementing Action I.A.1).

C O P Y

Each Military Service will develop and present the current status of its materiel management systems and specific proposals for the implementation of a vertical materiel management concept, to include the method for funding, within its sphere of responsibility. DSA will also develop proposals for world-wide management of specific stock fund commodities under their management with particular attention given to medical supplies and personal clothing items.

In implementing these proposals, primary consideration must be given to a materiel management plan which provides efficient and effective supply support for the operating forces and which applies vertical funding concepts in all cases to the extent practicable. While CONUS management and control systems can extend vertically into overseas areas of operation, the physical presence of additional forces should be avoided. Further, plans for implementation as outlined in I.A.2 (enclosure) must be specific with regard to the degree of item management envisioned within each Component, identifying the organizational level which would represent the past point of DoD Inventory Manager cognizance, to include financial ownership. The plan should define the methods to be employed in materiel management, including funding, in the three general areas of (1) items managed within each Service, (2) items managed by another DoD Component, and (3) items obtained from other than DoD sources.

Proposals of the Services and DSA for implementing this memorandum should be submitted by the DoD Components to the ASD (Comptroller) within 90 days after receipt. Guidance and assistance, as necessary, will be made available by OASD (Comptroller) and OASD (Installations and Logistics). Please contact Mr. John C. Braund, ext. 73192, should you have any questions or need any assistance.

Upon completion of implementation planning, a committee headed by OASD(C) with representation from OASD(I&L), the Military Services and DSA will evaluate the inter-Service elements of such plans and make appropriate recommendations for approval and implementation. In view of the long-range nature of these implementing actions, I request that a representative from each Component be designated within 30 days to work with the Principal Action Officer from the OASD(C). This individual should have the tenure and qualifications to successfully complete the task.

/s/

W. P. CLEMENTS, JR.

Enclosure

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Enclosure

- I.A.1 - The ASD(C), in coordination with the ASD(I&L) and each Military Service and DSA, will develop for that Component a concept of vertical stock fund management to include a specific description of the extent to which implementation is envisioned within that Component, and the changes from the Component's present stock funding arrangements which would be required.
- I.A.2 - Each Military Service and DSA, in coordination with the ASD(C) and the ASD(I&L), will then develop a time-phased plan related to plans for supply management, including cost and savings estimates, for implementation of the vertical stock fund concept developed for the Component. Both the timing and ultimate extent of vertical stock fund implementation may vary from Component to Component because of their differing structures, operating environments and logistical support needs. Upon approval of the plan by OSD, implementation would commence.

C O P Y

APPENDIX B



OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

17 JAN 1975

MEMORANDUM FOR Assistant Secretaries of the Military Departments (FM)
Assistant Secretaries of the Military Departments (I&L)
Director, Defense Supply Agency

SUBJECT: Materiel Management in the Vertical Environment

Deputy Secretary of Defense memorandum of October 22, 1974, subject as above, requested each Military Service and DSA to develop specific proposals for the implementation of vertical materiel management employing the vertical stock fund concept for financial support. In the development of Service/DSA responses, questions have been raised regarding the basic concept of vertical management as well as the specific application of this concept to expense item management. The enclosure to this memorandum has been developed to provide conceptual guidelines to help resolve these and other questions which may arise. Definitive policy regarding vertical management of expense items will be coordinated with the Services and DSA after your responses have been received and evaluated. The enclosure contains two sections; the first covers vertical management of all secondary items, the second addresses vertical management and stock funding of expense item inventory. Response to the Deputy Secretary's memorandum should address expense item inventory only.

Due to the current state of development of most DOD automated logistic systems, transitional planning for and application of vertical supply management will have to be developed on an evolutionary basis. Similarly with regard to vertical stock funding, an incremental approach can be adopted with vertical stock funding first applied on an intra-Service basis.

Application of the vertical stock funding technique will eliminate the buy-sell relationship between the wholesale and intermediate levels of supply for expense items. Since stock funding does not presently encompass all intermediate levels, we must develop a precise understanding with each Component as to the application of the stock fund within the intermediate level of supply of that Component. Consideration is also being given to eliminate the buy-sell relationship between these levels for secondary investment items on inter-Service Agency transactions.

Since the attached guidelines may impact or influence your response to the October 22, 1974, memorandum, the due date for your implementation proposals is extended to February 24, 1975. Within our offices, appropriate staff elements are available to discuss specific questions regarding the development of your plan.

O. I. Mendolia

Assistant Secretary of Defense
(Installations & Logistics)

TE Mc Clary

Assistant Secretary of Defense
(Comptroller)

Enclosure

MATERIEL MANAGEMENT OF SECONDARY ITEMS IN THE VERTICAL ENVIRONMENT

SECTION I

VERTICAL SUPPLY MANAGEMENT

A. DEFINITIONS

1. Vertical Supply Management: An inventory management system which encompasses DoD-wide, multi-level inventory management, either on an item basis using individual item transaction data or on a category basis, employing program management data. The system will contain sufficient flexibility to permit combinations of both item and category management techniques on a selective basis. Vertical inventory management may cross DoD Component lines as it must include more than one of three designated supply echelons (wholesale, intermediate, consumer) which have been categorized based upon inventory purpose and management characteristics. Accordingly, vertical inventory management will not be restricted by inventory funding techniques, that is, it may encompass stocks procured through different funding sources such as stock funds, industrial funds, and appropriated funds.

2. Wholesale Level of Supply: Under the existing concepts stock over which the wholesale item manager has (world-wide) asset knowledge and control regardless of funding source. Asset knowledge includes current item visibility (e.g., on-hand, due-in, due-out, condition, purpose, geographic location, etc.) on a quantitative basis. Asset control includes requirements determination, procurement, distribution/redistribution management, issue control, depot level rebuild/repair direction and disposal direction authority.

a. Wholesale stocks are considered to be available to meet world-wide requirements without restriction. Unless available to the wholesale manager without qualification, stock reservations for local intermediate/consumer level support are not considered as wholesale level stock.

b. Depot level rebuild/repair direction encompasses the authority/capability to determine and effect the quantity and timing of rebuild/repair.

3. Intermediate Level of Supply: Any level of stock falling between the wholesale and consumer level regardless of funding source.

4. Consumer Level of Supply: A limited range and depth of stock which is held by the consuming unit or activity for consumption. Consuming units or activities are identified as the final element in the supply pipeline to which the materiel is issued. Specifically excluded is all stock held by

units or activities for the purpose of resupply of supported units or activities. Stocks are consumer funded; appropriated (including research and development) or industrial funds. Any of the following may form the basis for consumer level stockage: (a) established allowances based upon projected or anticipated requirements; (b) demand based items derived from actual previously recorded demands for an operational unit or activity or (c) a specifically identified planned requirement.

B. SYSTEM PREREQUISITES

1. A standard stockage policy (range and depth) must be developed for the intermediate and consumer levels of supply. The proposed policy is being developed by the Retail Inventory Management Stockage Policy (RIMSTO?) Working Group.
2. Formats and rules for reporting assets "owned" by a DoD item manager and held at the designated intermediate level of supply will be standardized.
3. Criteria will be established for those conditions under which a DoD item manager can direct redistribution of intermediate level stock to meet a higher priority demand within the same or another Component.
4. Each DoD Component will have centrally designed, standard automated systems with standard interfaces for both the wholesale and intermediate (including stock fund management) levels of operation.
5. DoD will adopt standard in-transit item visibility.

C. GENERAL GUIDELINES

1. Vertical inventory management on an individual item basis:
 - a. Will be employed on a selective basis (initially as outlined in DODI 4140.37).
 - b. Will not be limited by inventory funding considerations, i.e., it may encompass stocks procured through different funding techniques such as stock funds, industrial funds and appropriated funds.
 - c. May cross DoD Component lines.
 - d. Will include the wholesale level and at least one of the remaining levels of supply (intermediate and consumer), with stockage at those levels in accordance with DoD guidance.
 - e. Will use asset knowledge provided on a transaction basis and will provide inventory control.

f. May be applied to individual items which are part of an inventory category which is controlled on a category basis.

g. Will be managed on an item transaction basis under procedures which provide current world-wide quantitative item visibility (on-hand, due-in, due-out, condition, location, purpose) from the wholesale and intermediate inventory holding sites and possibly from consumer levels, and will encompass the following inventory control functions: requirements determination, procurement, distribution/redistribution authority, issue control, rebuild/repair direction and DoD excess determination.

2. Vertical inventory management on a category basis:

a. Will involve the periodic submission of financial and inventory stratification reports suitable for management purposes to the inventory manager on a timely basis as provided for in DoD guidance.

b. May cross DoD Component lines.

c. Will include the wholesale level of supply and the intermediate level to the extent provided in DoD guidance.

d. Will include intermediate level stockage policies as prescribed in DoD guidance.

e. When applied to expense type items will employ the vertical stock funding technique to finance inventories.

f. May also be subject to submission of item asset data to the DoD item manager on a selective basis if required for management purposes.

3. The purpose of the inventory will be the primary factor in categorizing the levels of inventory. These will be the wholesale, intermediate, and consumer levels of inventory in accordance with the definitions outlined above.

4. Both the supply and financial aspects of vertical management will have to address management, visibility, ownership, and control of assets.

5. The Services/Agencies will have the capability of achieving item visibility and control of at least the wholesale and intermediate levels of inventory, and the consumer level in some circumstances. Item management will be selectively applied by the DoD item manager across Service/Agency lines as dictated by demand, item characteristics, dollar value, criticality, and method of distribution of world-wide assets (DODI 4140.37). Selective visibility and control may also occur through application of a critical item management concept.

6. The capability will exist to extend item management by the DoD item manager to any item, even though actual application will be on a selective basis.

7. If the requirement exists to achieve item visibility on a selective basis, this will be applied regardless of the funding source of the item or the financial ownership of the level of inventory.

8. The DoD item manager will have the capability and authority, and be responsible for redistribution of assets held at the intermediate level. However, this authority will operate within parameters which will be established DoD-wide, for items in normal and critical supply positions.

9. The DoD item manager will be responsible for item management of all assets organic to the wholesale level of supply.

10. Provisioning stockage as provided for in DODI 4140.42 will be developed by the item manager, in conjunction with the using Services.

11. Wholesale level stockage will be in accordance with the provisions of DODI 4140.39 and will employ the single inventory objective prescribed in that regulation.

12. Stockage (range and depth) at the intermediate and consumer levels of inventory will be in accordance with DoD guidance on this subject, and would apply whether stockage is on either a "PUSH" or "PULL" basis.

13. The DoD item manager will be responsible for managing war reserves in accordance with DoD guidance.

14. A PUSH or PULL supply system may be used. ICPs will implement the appropriate method for positioning wholesale stock. The method used will be performed under standard DoD criteria for that materiel category.

15. An automated capability is required for ICPs to receive quarterly financial and inventory stratification data, and display in the required format. The capability is also required for ICPs to receive and process item transaction data and to calculate intermediate stock levels, in order to exercise management flexibility for PUSH/PULL options.

MATERIEL MANAGEMENT OF SECONDARY ITEMS IN THE VERTICAL ENVIRONMENT

SECTION II

EXPENSE ITEM INVENTORY MANAGEMENT/VERTICAL STOCK FUNDING

A. DEFINITION

Vertical Stock Funding: A financing procedure designed to support vertical materiel management whereby a single stock fund "owns" expense-type materiel from the time of acquisition until issue (sale) to the consumer or transfer to disposal, without buyer-seller transactions accompanying intervening stock transfers either laterally or between inventory levels.

B. GUIDELINES FOR OPERATION

1. The DoD item manager will manage his stock fund division on a program basis. Individual item management may also be incorporated on a selective basis.
2. The expansion of vertical supply and stock funding programs for expense items will, except for fuels and subsistence, be introduced first on an intra-Service/Agency basis. After successful introduction within Services/Agencies, and for the fuels and subsistence commodities, the final phase will provide for extension on an inter-Service/Agency basis to all integrated manager items.
3. The DoD item manager will not own or manage stocks which are not within the corpus of his stock fund division. However, he may control assets of selected items down to and including the consumer level.
4. Vertical stock funding is applicable to expense item inventories at the wholesale level and within the intermediate level to the extent provided for in DoD guidance.
- * 5. A horizontal stock fund will remain to accommodate residual inventories, including local purchase and GSA source expense items.
6. Inventory stratification on a dollar summary basis will serve as a primary or initial basis for identifying areas requiring management attention. Sub-stratification may also be necessary to isolate areas requiring specific attention. Item management is usually required to correct deficiencies.

7. Item documentation and required quantitative accountability related to vertically stock funded materiel held in an intermediate level supply account will be a responsibility of the accountable officer at that level. In addition, he is responsible for financial or "money value" reporting of assets in accordance with DoD guidance and will include all stock funded assets of an activity whether in a main account, decentralized accounts, or satellite accounts.

8. The DoD item manager will have inventory stratification and financial management information related to all assets to include stocks at both wholesale and those intermediate levels of supply which are stock funded.

9. No financial buy/sell transaction will be required for world-wide item transfers of stock funded assets between accountable supply officers within the corpus of a vertical stock fund division.

10. Vertical stock funds will be implemented with minimal revision to the current logistics organizations of the Military Departments and Defense Agencies. However, to the degree necessary, compatible and standard systems, across Service/Agencies operating in a decentralized mode, will be provided.

11. Requisitioning channels and supply delivery channels will be as provided for in DoD guidance.

12. Program control will be maintained through a combination of stockage policies, and the application of sales/program controls for each stock fund division. The DoD item manager will establish programs for intermediate level activities within his division.

13. Billing documentation against user funds will follow the established pattern of operation approved by the DoD Components.

14. Physical custody of intermediate and consumer level stocks will be vested with the operational commander. Subject to justification of his actions, a using commander (primarily in overseas areas) may move or issue intermediate and consumer level stocks as rapidly as the operational situation dictates. Vertical stock funding should not interfere with this posture.

15. Minimum dollar reporting of financial transactions from all intermediate stock points of DoD stock fund managers will be quarterly using the current stock fund reporting system. Asset stratification reporting from intermediate stock points will be submitted directly to the DoD item manager with a copy to the major command having jurisdiction.

16. Dollar ownership for all stock funded wholesale and intermediate level stocks world-wide will be vested in an assigned element of a DoD stock fund. The DoD stock fund manager must be assured that accounting controls are in place which satisfy the mandate of the Congress for dollar accountability of DoD appropriations and expenditure programs. This accounting may be performed in a decentralized mode and satisfied by a home office/branch office arrangement such as maintenance of separate wholesale (ICP) and intermediate level accounting offices or it may be centralized such as that proposed under the Navy's concept of Central Requisitioning, Accounting and Billing (CRAB). Intermediate level financial and inventory stratification reporting will be from that level to the DoD item manager as prescribed by DoD for stock fund operation and management. Parallel data (reporting) would flow through the major command structure of the Military Departments to ensure adequate review and corrective command action to meet dollar and item targets directed by higher authority, ensure adherence to standard stockage policies, evaluate support provided by the DoD item managers, etc.

APPENDIX C

DISPOSITION FORM

For use of this form, see AR 340-15; the proponent agency is The Adjutant General's Office.

REFERENCE OR OFFICE SYMBOL DALO-SME	SUBJECT Project Proposal: Phase-out of the Army Retail Stock Fund
TO DALO-LEZ THRU DALO-PL <i>26/22 Apr 75</i>	FROM DALO-SM DATE 22 APR 1975 CMT 1 Mr. Ridall/76718/dk

Request you take action to complete the project described below:

1. Title: Phase-out of the Army Retail Stock Fund (CONUS)
2. Project Identification Number: Z50903
3. Purpose: Develop the concept and test plan for phase-out of the Army Retail Stock Fund at US Army Forces Command (FORSCOM) and US Army Training and Doctrine Command (TRADOC) installations.
4. LOGMAP Objective: 104
5. Background/Description/Discussion:
 - a. References:
 - (1) Deputy SECDEF memorandum for Assistant Secretaries of the Military Departments and Director, Defense Supply Agency, dated 22 October 1974, subject: Materiel Management in the Vertical Environment.
 - (2) OSD memorandum for Assistant Secretaries of the Military Departments (FM) and (I&L) and Director, Defense Supply Agency, dated 17 January 1975, subject: Materiel Management in the Vertical Environment.
 - (3) ASA memorandum for Assistant Secretary of Defense (Comptroller), dated 27 February 1975, subject: Materiel Management in the Vertical Environment.
 - (4) AR 37-111, Working Capital Funds - Army Stock Fund Uniform Policies, Principles, and Procedures governing Army Stock Fund Operations.
 - (5) AR 710-1, Centralized Inventory Management of the Army Supply System.
 - (6) AR 710-2, Materiel Management for Using Units, Support Units, and Installations
 - (7) DA Letter, DAAG-PAP-A (M) (14 Nov 74) DALO-SMS-R, dated 2 Dec 1974, subject: Responsibilities for the Direct Support System (DSS).
 - (8) Letter, DALO-PLD, 18 Mar 75, subject: Study: Improve Wholesale and Retail Logistics Operations in CONUS and overseas. (Project LEAP, Issue #132).
 - b. General:

C-1

SUBJECT: Project Proposal: Phase-out of the Army Retail Stock Fund

(1) It is envisioned that on a test basis, the Retail Stock Fund will be eliminated at two CONUS installations (one TRADOC and one FORSCOM as designated by the two MACOM's). Test Agency/personnel will be designated to conduct the test by the TRADOC/FORSCOM HQ's for their respective test installations.

(2) USAMC will be responsible for the test operations and data requirements at the wholesale level.

(3) ALMSA and USACSC will be responsible for the changes to software programs as required at the wholesale and intermediate level for the two test installations.

(4) DALO-LEA will oversee the test for the DCSLOG and will be responsible for the Army evaluation. DALO-LEA will receive all test data from both wholesale and retail installations for evaluation. DALO-LEA will perform necessary DA staff coordination to ensure the Army evaluation is complete and representative of the impact at both wholesale and retail levels.

c. Objectives:

(1) To establish a one buy/one sell relationship between the consuming (O&MA) appropriation and the wholesale Stock Fund System.

(2) To gain efficiencies in supply and fund management by:

(a) Reducing operating costs associated with retail stock fund budget and accounting, management and related ADP.

(b) Improving technical lines of communication between the supplier and consumer by elimination of the middle-man.

(c) Improving Wholesale Stock Fund budgets by making such budgets directly reflective of consumer needs.

d. Background.

(1) The retail Stock Fund was introduced into the intermediate level (overseas depots and post camps and stations) in 1963/1964 to replace a vertical stock fund system controlled by the various national inventory managers. The principal purpose of the retail stock fund was to achieve a better control of the huge intermediate level assets by more disciplined management and assignment of responsibility to a single activity. The retail stock fund has served its purpose well. From the time it was introduced, the Army succeeded in putting this level of supply management (retail) on a business and professional basis, reducing inventories and establishing the proper relationship between purchases and sales.

SUBJECT: Project Proposal: Phase-out of the Army Retail Stock Fund

(2) In FY 71, the Army began a major effort aimed at sharply reducing the intermediate level of peacetime supply through implementation of the Direct Support System (DSS). DSS was designed to link the wholesale supply system directly to the Direct Support/General Support Activity in the field by-passing all intermediate retail levels. DSS was incrementally expanded, initially to oversea areas and later, October 1972, into CONUS posts/camps and stations where the implementation is still progressing.

(3) As DSS matures and inventories are drawn down at posts/camps and stations the need for the retail stock fund to finance inventory purchases and management is questionable. The main purpose for continuation of the retail fund is to finance order and ship time between the individual DSS customer and the wholesale system. In effect the automatic two buy two sell relationship exists. The retail stock fund pays the wholesale fund for goods shipped and the OMA appropriations pays the retail fund even though the materiel moves directly from a wholesale depot to the consumer. Under DSS neither an operating nor a safety level are maintained at the installations.

(4) Elimination of the retail stock fund and establishing the one buy/one sell relationship is consistent with objectives expressed by OSD under vertical management guidance and with Army responses to attaining the objectives as stated in references 2a,b,and c.

5. Courses of Action/Technical Approach.

a. DALO-LEA, through discussions with the DA staff, TRADOC, FORSCOM, and USAMC will develop a concept to phase out the retail stock fund at CONUS installations and insure the concept conforms to statutory requirements.

b. DALO-LEA, in conjunction with TRADOC, FORSCOM, and USAMC will determine the resource requirements for conduct and evaluation of the test at both wholesale and installation levels. The resource determination will consider on-site visits, reports, and review required to accomplish the project.

c. The test plan application will include two installations: one TRADOC and one FORSCOM.

6. Administrative details.

a. Required dates:

(1) The test plan concept will be developed and will be presented to DA DCSLOG by 15 May 1975.

(2) The test plan will be developed and will be presented to DA DCSLOG by 1 September 1975.

SUBJECT: Project Proposal: Phase-out of the Army Retail Stock Fund

b. DCSLOG Project Officer: Mr. Wayne A. Smith, x54634.

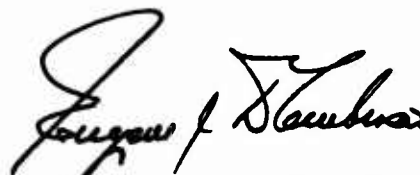
c. DCSLOG Alternate Contact: Mr. Benjamin L. Ridall, x76720.

d. Classification of final product: unclassified unless contents determine otherwise.

e. Coordination: Accomplish necessary coordination requirements with the DCSLOG functional directors, other DA staff agencies, and major Army commands and agencies, as appropriate. Direct communications with these agencies and commands are authorized and encouraged. When necessary the DCSLOG project officer will prepare or process communications announcing such authority.

f. Resources:

The DCSLOG project officer will provide DA staff level guidance and assistance in the accomplishment of the task. Primary responsibility for the actual accomplishment of the project is assigned to your agency. No additional funds are available to support your TDY requirements.



EUGENE J. D'AMBROSIO
Major General, GS
Director of Supply
and Logistics

DISPOSITION FORM

For use of this form, see AR 340-15; the proponent agency is The Adjutant General's Office.

REFERENCE OR OFFICE SYMBOL	SUBJECT
DALO-SMS	Project Proposal: Phase-out of the Army Retail Stock Fund
TO DALO-LEZ	FROM DALO-SM
THRU: DALO-PL <i>HLF, 20 Jan 76</i>	DATE 10 JAN 1976 CMT 1

Request you take action to complete the project described below:

1. Title: Phase-out of the Army Retail Stock Fund (CONUS)
2. Project Identification Number: Z60993
3. Purpose: Develop the concept and test plan for phase-out of the Army Retail Stock Fund at US Army Forces Command (FORSCOM) and US Army Training and Doctrine Command (TRADOC) installations.
4. LOGMAP Objective: 104
5. Background/Description/Discussion:
 - a. References:
 - (1) Deputy SECDEF memorandum for Assistant Secretaries of the Military Departments and Director, Defense Supply Agency, dated 22 October 1974, subject: Materiel Management in the Vertical Environment.
 - (2) OSD memorandum for Assistant Secretaries of the Military Departments (FM) and (I&L) and Director, Defense Supply Agency, dated 17 January 1975, subject: Materiel Management in the Vertical Environment.
 - (3) ASA memorandum for Assistant Secretary of Defense (Comptroller), dated 27 February 1975, subject: Materiel Management in the Vertical Environment.
 - (4) AR 37-111, Working Capital Funds - Army Stock Fund Uniform Policies, Principles, and Procedures governing Army Stock Fund Operations.
 - (5) AR 710-1, Centralized Inventory Management of the Army Supply System.
 - (6) AR 710-2, Materiel Management for Using Units, Support Units, and Installations.
 - (7) DA Letter, DAAG-PAP-A (M) (14 Nov 74) DALO-SMS-R, dated 2 Dec

C-5

SUBJECT: Project Proposal: Phase-out of the Army Retail Stock Fund 16 JAN 1976

1974, subject: Responsibilities for the Direct Support System (DSS).

(8) Letter, DALO-PLD, 18 Mar 75, subject: Study: Improve Wholesale and Retail Logistics Operations in CONUS and overseas. (Project LEAP, Issue # 132).

(9) ALPC Meeting Minutes, 23-24 October 1975, subject: Key Discussion Points and Approved Actions.

b. General:

(1) Perform a test using two CONUS installations (one TRADOC and one FORSCOM as designated by the two MACOMS) to eliminate the Retail Stock Fund. TRADOC/FORSCOM personnel will be assigned to conduct the test for their respective test installations.

(2) USAMC will be responsible for the test operations and data requirements at the wholesale level.

(3) ALMSA and USACSC will be responsible for the changes to software programs as required at the wholesale and intermediate level for the two test installations.

(4) DALO-LEA will oversee the test for the DCSLOG and will be responsible for the Army evaluation. DALO-LEA will receive all test data from both wholesale and retail installations for evaluation. DALO-LEA will perform necessary DA staff coordination to ensure the Army evaluation is complete and representative of the impact at both wholesale and retail levels.

c. Objectives:

(1) Attempt to establish a one buy/one sell relationship between (O&MA) and the wholesale Stock Fund.

(2) To improve budgeting and funding management by assessing the operating costs associated with the retail stock fund operations.

(3) Improve technical lines of communication between the supplier and consumer.

d. Background.

SUBJECT: Project Proposal: Phase-out of the Army Retail Stock Fund
16 JAN 1976

(1) The retail Stock Fund was introduced into the intermediate level (overseas depots and posts, camps and stations) in 1963/1964 to replace a vertical stock fund system controlled by the various national inventory managers. The principal purpose of the retail stock fund was to achieve a better control of the huge intermediate level assets by more disciplined management and assignment of responsibility to a single activity. The retail stock fund has served its purpose well. From the time it was introduced, the Army succeeded in putting this level of supply management (retail) on a business and professional basis, reducing inventories and establishing the proper relationship between purchases and sales.

(2) In FY 71, the Army began a major effort aimed at sharply reducing the intermediate level of peacetime supply through implementation of the Direct Support System (DSS). DSS was designed to link the wholesale supply system directly to the Direct Support/General Support and SSAs in the field bypassing all intermediate retail levels except for the residual supply support at the Installation (ISD) for non-DSS and non-DSU customers. DSS was incrementally expanded, initially to oversea areas and later, October 1972, into CONUS posts, camps and stations where the implementation is still progressing.

(3) As DSS matures and inventories are drawn down at posts, camps and stations, the need for the retail stock fund to finance inventory purchases and management is questionable. The main purpose for continuation of the retail fund is to finance order and ship time between the individual DSS customer and the wholesale system. In effect the automatic two buy/two sell relationship exists. The retail stock fund reimburses the wholesale stock fund for goods shipped and the OMA or end-use appropriation reimburses the retail stock fund even though materiel moves from the wholesaler through the CRP to the customer.

(4) Elimination of the retail stock fund and establishing a one buy/one sell relationship is consistent with objectives expressed by OSD under vertical management guidance and with Army responses to attaining the objectives as stated in references 5a (2) and 5a (3).

6. Courses of Action/Technical Approach.

SUBJECT: Project Proposal: Phase-out of the Army Retail Stock Fund 10 JA

a. DALO-LEA, through discussions with the DA staff, TRADOC, FORSCOM, their installations and USAMC will develop a coordinated concept to phase out the retail stock fund at CONUS installations and insure the concept conforms to statutory requirements.

b. DALO-LEA, in conjunction with TRADOC, FORSCOM, and USAMC will determine the resource requirements for conduct and evaluation of the test at both wholesale and installation levels. The resource determination will consider on-site visits, reports, and review required to accomplish the project.

d. The test plan application will include two installations: one TRADOC and one FORSCOM.

7. Administrative details.

a. Required dates:

(1) Between 15-30 January, present a progress report to DA DCSLOG to validate that functional guidance can or cannot be accommodated with the test concept. Estimates of test cost effectiveness will be considered when this progress report is made to determine if a test is likely to prove cost effective.

(2) Develop the coordinated concept and present it to DA DCSLOG by 15 February 1976.

(3) After obtaining approval of the concept from DA DCSLOG, COA, and ASA (I&L) (FM), prepare the test plan and procedures and obtain approval from HQ, TRADOC/FORSCOM and HQ, AMC prior to making presentations to DA DCSLOG by 15 September 1976.

b. DCSLOG Project Officer: Mr. Richard C. Biggs, x52461

c. DCSLOG Alternate Contact: Mr. J. E. Herring, x73122

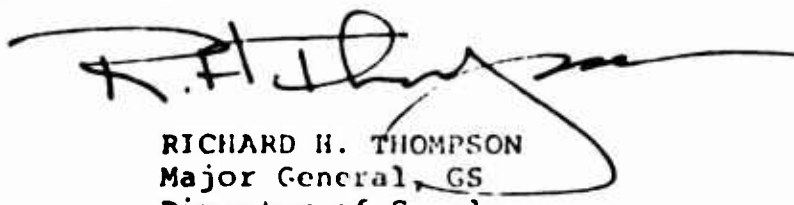
d. Classification of final product: unclassified unless contents determine otherwise.

e. Coordination: Accomplish necessary coordination requirements with the DCSLOG functional directors, other DA staff agencies, and major Army commands and agencies, as appropriate. Direct communications with these agencies and commands are authorized and encouraged. When necessary the DCSLOG project officer will prepare or process communications announcing such authority.

SUBJECT: Project Proposal: Phase-out of the Army Petal Stock
Fund 16 JAN 1976

f. Resources:

The DCSLOG project officer will provide DA staff level guidance and assistance in the accomplishment of the task. Primary responsibility for the actual accomplishment of the project is assigned to your agency. No additional funds are available to support your TDY requirements.



RICHARD H. THOMPSON
Major General, GS
Director of Supply
and Maintenance

DISPOSITION FORM

For use of this form, see AR 340-15; the proponent agency is The Adjutant General's Office.

REFERENCE OR OFFICE SYMBOL	SUBJECT
DALO-SMS	Project: Phase-out of the Army Retail Stock Fund

EX THRU ~~DALO-PLZ~~ *2X/1/76* FROM DALO-SM DATE *11* FEB 1976 CMT 1
TO DALO-LEZ-A Mr. Biggs/rkh/73383

1. References:

- a. DF, DALO-SMS, 16 Jan 76, Project Proposed: Phase-out of the Army Retail Stock Fund.
- b. Briefing by USALEA project officer to DALO-SM representatives, 30 Jan 76, above subject.
- c. Trip Report, DALO-LEZ-A, 2 Feb 76, above subject.

2. Evaluation of information presented in references 1b and c indicates that the project directed by reference 1a should be closed out as soon as possible. The following factors are pertinent:

- a. The concept developed for test is the best compromise which can be reached among key affected agencies such as DAPE, DARCOM, DSA and MACOM's. COA continues to hold a strong position favoring continuation of the retail stock fund.
- b. However, the proposed concept does not accomplish the objective of completely eliminating the retail stock fund, and does not provide reasonable expectation of resource savings. Regulatory, statutory, funding and other obstacles appear to preclude use of alternative procedures which initially were expected to generate cost effective changes.
- c. Test of any concept will require automated system changes and parallel operations which will be so expensive they can only be undertaken if there is a high probability of future offsetting resource savings. No such probability can be foreseen at this time.
- d. The data developed in the project to date will be highly useful in allied projects and in supporting DA presentations to OSD in vertical/horizontal stock fund actions. Continuation of the project through the test phase will not appreciably enhance the value of data already accrued.

3. Request that subject project be closed out and the results attained be fully documented. The project report should be completed as soon as possible and, at a minimum, include:

- a. Background summary on project initiation and its progressive development.
- b. The analysis followed to develop the final concept proposed for test including the principal alternatives considered and reasons they were not used.

C-10

DALO-SMS

SUBJECT: Project: Phase-out of the Army Retail Stock Fund

c. The nature and value of basic data obtained through research and field visits, and uses to which the data may be put in allied or future projects.

4. Request the Director, Supply and Maintenance be given as soon as possible a summary briefing of the project close out report. Following the briefing, guidance will be given on briefing the DCSLOG; and on dissemination of the project report.

for *John D. Bruen*
RICHARD H. THOMPSON
Major General, GS
Director of Supply and Maintenance

JOHN D. BRUEN
Brigadier General, GS
Deputy Director of
Supply & Maintenance

APPENDIX D

ALTERNATIVES CONSIDERED IN DEVELOPING GENERAL CONCEPT TO ELIMINATE THE RETAIL STOCK FUND AT CONUS TRADOC/FORSCOM INSTALLATIONS (APRIL-MAY 1975)

ALTERNATIVE #1 - Wholesale stock fund finance or fund inventories through installation level; retail S/F reimburse wholesale supplier at time of sale.

Wholesale Considerations.

- Complete/total vertical management of wholesale stock funds.
- Basis for implementing V/SF management IAW OSD objectives.
- Precludes any consumer funding of pipeline (OST).
- End-use appropriation to operating level only, also will budget.
- Potential for one stock fund concept.
- Facilitates asset visibility and utilization at retail level.
- CCSS (wholesale-DARCOM ICPs) accept unfunded requisitions--software change.
- Reimbursements sporadic.

Installation Considerations.

- Submit unfunded requisitions--pull system for positioning.
- Conflict of interest - ownership by wholesale, requirements determination and positioning by installation.
- Develop technique for DSA/GSA purchases/deliveries/positioning.
- Technique required for LP funding by supplier.
- Requires exclusion or technique for handling clothing and subsistence.

ALTERNATIVE #2 - Wholesale stock fund through installation level, OMA/end-use funds reimburse at time of receipt.

Wholesale Considerations.

- Would have financial and supply management controls at installation level.
- Wholesale S/F takes care of pipeline.
- Some changes for DSA/GSA and LP interface.
- Changes to CCSS matrix--stock locations.

Installation Considerations.

- Reimbursement process to change to pay on receipt rather than bill.
- Tighter control on receipt reporting to assure full reimbursement.
- SSAs prepare budgetary data.
- Acquisition cite funds availability.
- Report changes?
- System changes?

ALTERNATIVE #3 - Wholesale stock funds down to installation level, consumer funds obligated when requisition submitted.

Wholesale Considerations.

- Little or no impact on systems at wholesale level--as requisition will obligate funds when requisitioning.
- Wholesalers capitalize R/SF.
- Billing procedures do not change.

Installation Considerations.

- Decapitalize R/SF--undelivered orders.
- One-time consumer fund requirements?
- Consumer funds entire pipeline, statutory violations?
- Reimburse after billing.
- Check FAO operations--intransit losses and billing adjustments and price variances.
- System changes--supply, financial.
- Regulatory changes--supply, financial.

CONCEPT

DA/OSD:

- ° ALLOCATE FUNDS (SF OA) TO WHOLESALE SUPPLIERS IAW APPROVED REQUIREMENTS PROGRAMS.
- ° PROVIDE (SF OA) TO MACOMS (TRADOC, FORSCOM) FOR SUBSISTENCE LP ONLY.

MACOMS (TRADOC, FORSCOM):

- ° INSTALLATIONS/MACOMS CONTINUE PROGRAMING SUPPLY REQUIREMENTS AS CURRENTLY PERFORMED.
- ° MACOMS PRESENT AND JUSTIFY REQUIREMENTS TO DA/OSD.

INSTALLATIONS:

- ° SSA ESTABLISH RO'S, DSU, CLASS IX, R&U, SSSC, MED AND CIF.
- ° SSA REQN WITHOUT FUND CITE; HOWEVER, A CODE WILL BE INCLUDED FOR ICP CONTROL.
- ° WHOLESALE SUPPLIERS REIMBURSED WITH OMA OR END-USE FUNDS BASED ON RECEIPT AT CRP/OR SALES/ISSUES TO USER/CUSTOMER.
- ° OMA OR END-USE FUNDS FINANCE LP EXCEPT FOR SUBSISTENCE, LP WILL BE VSF.
- ° ITEM & FINANCIAL VISIBILITY WILL BE MAINTAINED AT INSTALLATIONS FOR MATERIEL AND THE SSAs.
- ° WILL REPORT FINANCIAL DATA PERIODICALLY TO WHOLESALE LEVEL (VSF).

WHOLESALE SUPPLIERS:

- ° SHIPS MATERIEL TO CSS, CIIP & SUBSISTENCE ON A CON-SIGNED BASIS OR INTRA-FUND STOCK TRANSFER.
- ° ACCEPTS REQUISITIONS WITHOUT FUND CITE.
- ° BILLINGS ELIMINATED.

- ° WILL BE REIMBURSED BASED ON RECEIPTS AT CRP WITH OMA OR MPA OR BY CASH TRANSFERRED TO WHOLESALE HEADQUARTERS BASED ON SALES/ISSUES ON VSF MATERIEL.
- ° HAVE FINANCIAL VISIBILITY OF MATERIEL UNTIL ISSUED OR SOLD BASED ON REPORTS FROM THE INSTALLATION.

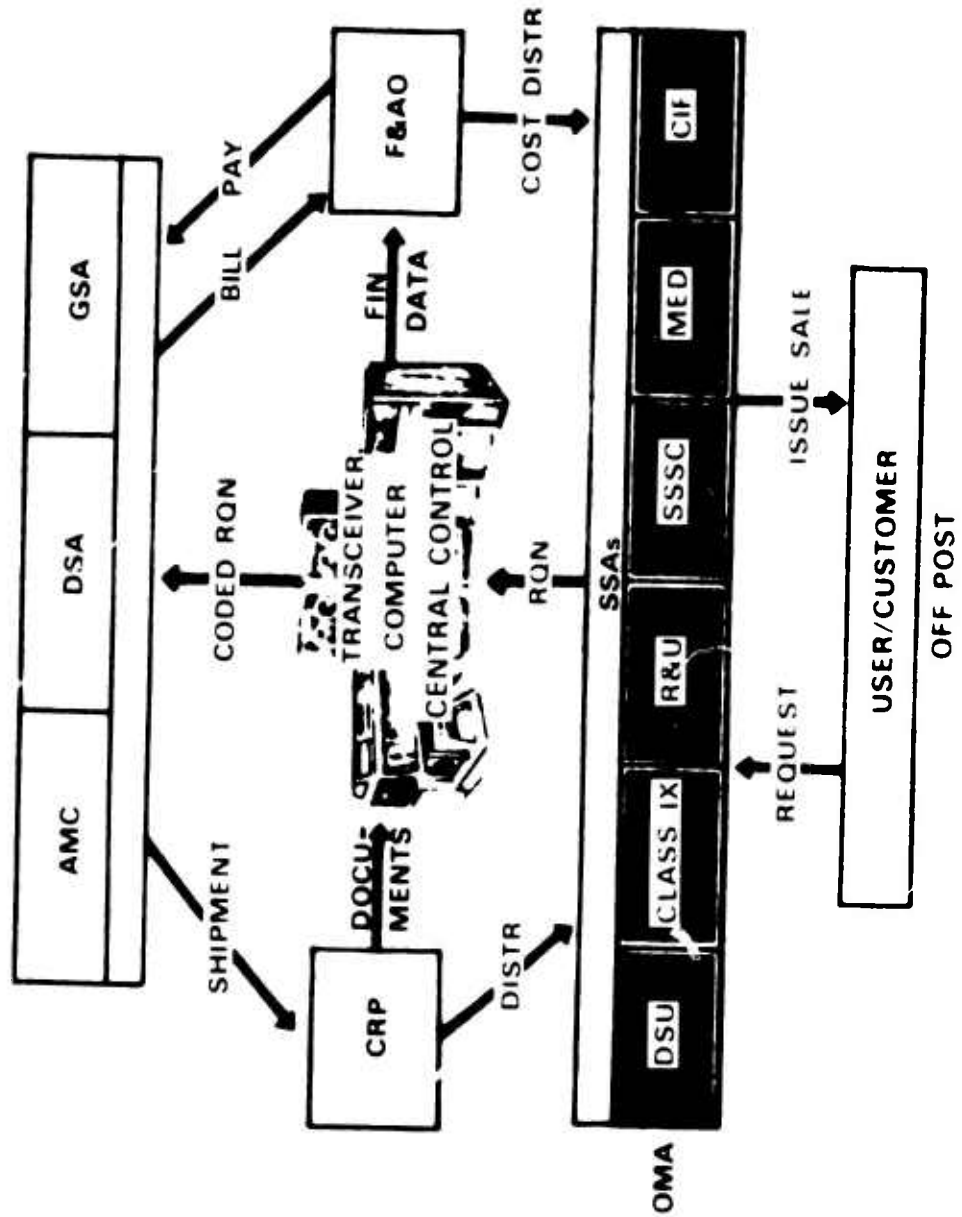
GENERAL: BOOKKEEPING AT INSTALLATION REVISED TO ACCOMMODATE ELIMINATING WHOLESALE BILLING PROCEDURE AND REIMBURSEMENT ACCOMPLISHED:

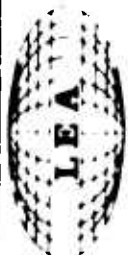
- ° WITH OMA OR MPA FUNDS - UPON RECEIPT OF MATERIEL AT CRP.
- ° WITH CASH - UPON ISSUE OR SALE ON CONSIGNED MATERIEL.

BASIC SUPPLY MANAGEMENT AND STOCK CONTROL PROCEDURES NOT AFFECTED.

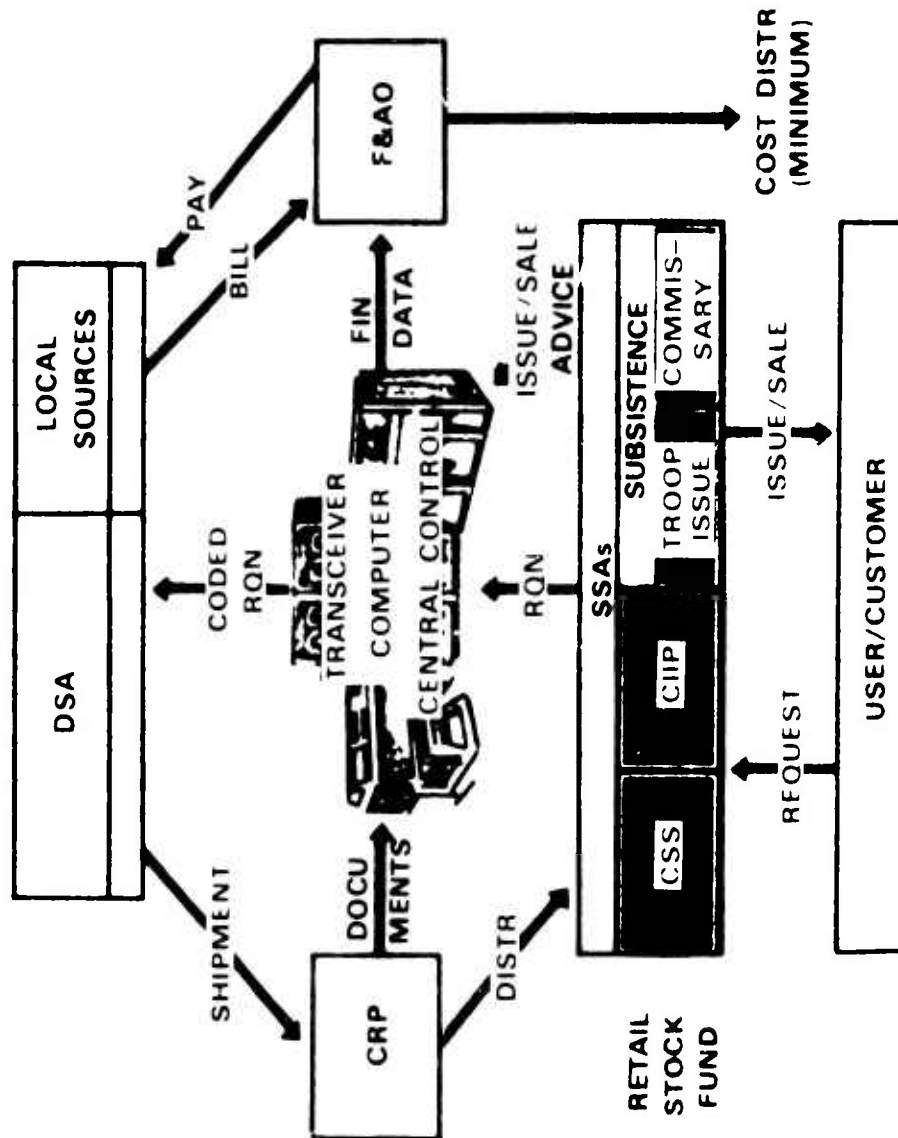


SSAs OMA FUNDED





SSAs RETAIL STOCK FUND



APPENDIX E
PERSONNEL CONTACTED

DA DCSLOG

LTG F. Kornet
LTG J. Fuson
MG E. D'Ambrosio
MG R. H. Thompson
MG O. E. DeHaven
BG J. Bruen
BG H. K. Tompkins
COL John Munnelly
COL C. W. Stevens
COL F. B. Wall, Jr.
LTC (P) J. E. Long
Mr. W. Smith
Mr. R. C. Biggs
Mr. J. E. Herring
Mr. H. T. Greene
Mr. R. E. Ganninger
Mr. R. Lum
Mr. B. L. Ridall

DEFENSE SUPPLY AGENCY

LTC R. Mondok
LTC J. R. Frise
Dr. M. Dargan
Mr. J. Grillo
Mr. R. Bordley
Mr. P. Jones
Mr. A. Marcus
Mr. W. Ikerd
Mr. C. Sharp

COMPTROLLER OF THE ARMY

LTC J. Lawton
Mr. A. Leibowitz
Mr. J. Welch

DARCOM

COL F. Senna
Mr. J. O'Donnell
Mr. M. Brussock
Mr. J. Flinn
Mr. T. Oliver
Mr. J. Toler
Ms. A. Cipolla

USAREUR - AEAGF

Mr. J. Beasley

HQ FORSCOM

Mr. H. F. Lennard
Ms. E. Sacco

HEALTH SERVICES COMMAND

Mr. D. Kersey

HQ TRADOC

MG H. D. Smith
COL Leach
COL Brown
COL Needles
COL Jolemore
COL Abraham
Mr. W. D. Gibson
Mr. S. Jordan
Ms. M. E. Tennis
Mr. W. G. Hutchinson
Mr. T. Harmon
Mr. R. Chappell
Mr. B. Andersson
Ms. McArthur
Mr. A. Leslie
Mr. O. Bishop
Mr. Berrish
Mr. Borenschein
Mr. R. Reid

FORT SILL, OKLAHOMA

COL Marsh
Mr. R. Beall
Mr. M. Parker
*Mr. R. BLACK
Ms. M. Roe
Ms. B. Shelton
Ms. R. Hold
Ms. B. Gunn
Mr. C. Helms
Mr. M. Long
Mr. R. Schrick
Ms. P. Stephenson
Ms. D. Gray
Mr. E. Higganbotham
Ms. R. Walker
Mr. J. Walkard
Mr. J. Houser

FORT RILEY, KANSAS

COL Spiller
LTC Downing
LTC M. Cralle
LTC E. Hood
*Mr. K. FILBY
Mr. N. Bourland
Mr. B. Sheridan
Mr. B. Beam
Mr. D. Vieta
Ms. M. Hourigan
Mr. R. Conrad
Mr. B. Hyter
Ms. F. Jester
Mr. C. Jones
Mr. J. Loy
Ms. K. Shandy
Mr. J. McCleary
Mr. P. Helleman
Ms. E. Buckles
Mr. L. Thomas
Ms. D. Gallaway
Mr. P. Kohlrus
Mr. J. Shockey
Mr. T. Moser
Mr. E. Cummins
Mr. C. Cobb
Mr. L. Young

Mr. R. S. Sullivan
Mr. G. Hooper

OMB

***Point of Contact**

APPENDIX F

MINI-ALPC WORK GROUP, 26-28 AUGUST 1975

1. **BACKGROUND:** The preliminary general concept to phase out/eliminate the retail stock fund was developed in coordination with the MACOMs. (Figure 10)

2. **COURSES OF ACTION:** In consonance with the objectives of the mini-ALPC work group, a separate internal work group examined the implications and impact that Vertical Materiel Management will have upon continued use of the retail stock fund versus eliminating the retail stock fund at CONUS TRADOC and FORSCOM installations. As a result of current Army supply management and stockage policies which should reduce intermediate (Post) level inventories, consideration should be given to using a funding system or changing the current retail stock fund to accommodate vertical materiel management, provide for improvements in the dollar resources available to each commander, reduce workload, and simplify operations. With these objectives, the work group examined the following alternatives.

Alternative 1. Vertical extension of the wholesale stock fund. This alternative extends the Army wholesale stock fund to the installation level. The inventory of the wholesale system, whether in wholesale depots, in pipeline or located at the installation, would be accounted for by the wholesale manager. Installations would process request for issue to the wholesale manager and would await receipt of an MRO before releasing assets to the customer. Installation stockage levels would be computed by the wholesale supplier and pushed to the installation. The installation would have authority to use inventories for emergencies and advise the wholesale manager on a post-post basis. This alternative requires wholesale suppliers to manage and finance all their materiel categories regardless of source (i.e., depot supplied, installation supplied, DSA supplied, GSA supplied, other services or locally purchased).

USALEA completed a cost comparison study August 1974 between the current supply management and stock fund system, and a vertically hypothesized supply management and stock fund system. The results indicated 544 additive personnel resources with 8.9 million annual dollar personnel cost to operate.

Alternative 2. Same as Alternative 1, except: Installations would develop requirements, establish requisitioning objectives and pull assets to the installation. Installation would issue or use inventories to meet their mission requirements and would pay or reimburse wholesale suppliers for assets used. Wholesale managers would be able to transfer or cross level assets to the extent that items involved exceeded the Requisition Objective (RO) plus one year's projected requirements.

Alternative 3. Adopt the Air Force system of vertical stock funding. This system is used for Air Force managed stock funded items and extends to the AF base supply level only (equates to Army's installation supply division level).

Alternative 4. Vertically extend the Army wholesale stock fund to finance the pipeline to CONUS installations for items managed by the Army ICPs. Items would be dropped to consumer funded activities/end-use appropriations upon receipt at the installation. This alternative includes all other materiel requirements except clothing and subsistence.

NOTE: The ALPC, 23-24 Oct 75, recommended continued development of the preliminary concept to eliminate the retail stock fund and to outline and assess all functional areas impacted by the concept.



CONCEPT



DA/OSD

- ALLOCATE SF OA TO W/L
- PROVIDE SF OA TO MACOMS - SUBSIS & CLOTHING ONLY

MACOMS

- CONTINUE PROG SUPPLY RQMTS
- PRESENT AND JUSTIFY RQMTS

INSTALLATIONS

- SSAs ESTABLISH ROS
- SSAs RQM MATERIEL
- W/S REIMBURSED BASED ON BILLINGS
- OMA FINANCE LP EXCEPT SUBSISTENCE & CLOTHING
- ITEM AND FIN VISIBILITY AT INSTL
- REPORT FIN DATA TO W/L PERIODICALLY

WHOLESALE

- SHIPS MAT BASED ON INSTL RQN
- BILLINGS 7 DAYS AFTER MRO

GENERAL

- BOOKKEEPING AT INSTL REVISED
 - OMA-UPON RECEIPT OF BILLING
- BASIC SUP MGT AND STOCK CONTROL NOT AFFECTED

SSAs MATERIEL FLOW

